Budget Highlights 1988

Alberta

Summary Highlights

The highlights of the 1988 Budget are:

- Provincial personal income taxes are reduced by $185 million. $165 million is from this government's reduction in the Alberta flat rate tax. Low income Albertans receive the greatest percentage reduction.

- Education of our youth is our first priority.
  - Over $2.4 billion or almost $2,900 per household is budgeted for education.
  - On a school year basis, total provincial operating support for basic education will increase by over 4%.
  - Financial assistance to post-secondary students is increased by 9.6%, to $112 million.

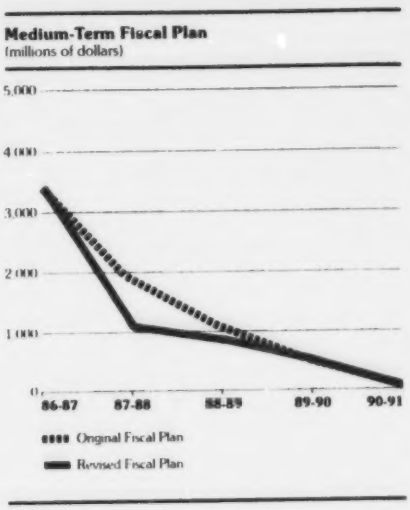
- Economic diversification and job opportunities are strengthened:
  - Two new community tourism initiatives and two new cultural projects will receive $81 million over five years.
  - $30 million is budgeted for new infrastructure in support of forestry and $6 million for a new program of forest regeneration.
  - Grants to the Alberta Research Council will rise by 9%.
  - Support for agricultural processing will be tripled to $16 million.

- To assist employment, this government's capital budget will total $2.5 billion and the Alberta Municipal Partnership in Local Employment Program will more than double to $57.5 million.

- Our vital agricultural sector will receive over $500 million in support.

- This government's commitment to families and communities and those in need is enhanced:
  - The unique Handicapped Children's Services Program will receive a 44% increase.
  - Social allowance food rates are increased by 13.5% and foster parents' rates are increased by 4% effective May 1.
  - Over $900 million will be spent on seniors' programs.
  - Funding for women's shelters will increase by 8.5%.

- The operating budget for Hospitals and Medical Care will increase by 6.9%. In total, we will spend over $3.3 billion, or $4,000 per household on health care.
- This government's commitment to reduce the deficit in a fair and balanced manner is maintained.



Alberta is on the rebound. The tax reductions will accelerate the economic recovery. Alberta will be one of the fastest growing provinces in 1988.

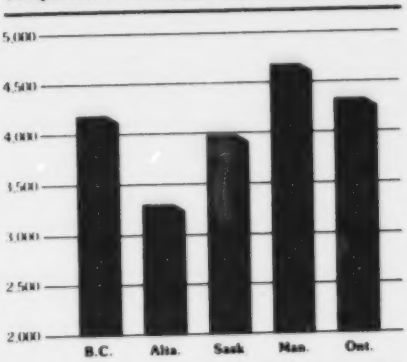
Albertans are talented, enterprising and determined. Ours is a responsible, caring and supportive government. All of us – individual Albertans, businesses and governments – working together in partnership can realize the exciting opportunities that lie ahead.

Taxation

Alberta has the lowest overall tax rates in Canada. Alberta is the only province without a sales tax. This budget will reduce Albertans' taxes even further.

- Provincial personal income taxes will be reduced. The flat rate tax will be reduced by one-half effective January 1, 1988.
- The tax reduction will show up on July pay cheques and will leave Albertans with $165 million more in take-home pay.
- This government's support of the federal income tax reduction will lower provincial personal income taxes by another $20 million.

Comparison of Provincial Taxes Payable*



* Family of four, gross income of $40,000. Includes provincial personal income tax, sales tax, health care insurance premiums, tobacco tax, fuel tax and hotel room tax. Other provinces as of March 1, 1988.

- In total, $185 million more will remain in Albertans' pockets. This will boost the Alberta economy and create jobs.
- Low-income Albertans will receive the largest percentage reduction from the tax cut. Nearly one-half million Albertans will benefit from the Alberta Selective Tax Reduction.

Major Provincial Tax Rates[a]

	Personal Income Tax[b]			Retail Sales Tax	Gasoline Tax[c]	Tobacco Tax	Health Care Premiums		Corporate Income Tax		Capital Tax	Payroll Tax	Insurance Premiums Tax[f]
	Basic Rate	High Income Surtax	Flat Rate Tax				Individual	Family	Small Business Rate[d]	General Rate[e]			
	(%)	(%)	(%)	(%)	(¢ litre)	($ pack of 25)	($)	($)	(%)	(%)	(%)	(%)	(%)
British Columbia	51.5	—	—	6	9.9	1.02	240	504	11	14	0.2	—	2/3
Alberta	46.5	8.0	0.5	—	5.0	1.00	216	432	0/5	9/15	—	—	2/3
Saskatchewan	50.0	12.0	1.5	7	7.0	1.17	—	—	0.10	17	0.5	—	2/3
Manitoba	54.0	—	2.0 2.0	7	8.9	1.15	—	—	10	17	0.3	2.25	2/3
Ontario	50.0	3.0	—	7	8.3	0.71	357	714	0.10	14.5/15.5	0.3	—	2/3
Quebec	—[g]	—	—	9	14.4	1.13	—	—	0.3.22	5.9 13.9	0.48	3.22	2/3
New Brunswick	58.0	—	—	11	7.8	1.06	—	—	5/9	15	—	—	2/3
Prince Edward Island	55.0	—	—	10	8.9	0.88	—	—	10	15	—	—	2
Nova Scotia	56.5	—	—	10	8.7	1.13	—	—	0.10	15	—	—	2/3
Newfoundland	60.0	—	—	12	9.8	1.20	—	—	0.10	16	—	—	4

[a] 1988 rates for other provinces as of March 1, 1988.

[b] Alberta's, Saskatchewan's and Ontario's high income surtaxes are on provincial tax payable. Saskatchewan's flat rate tax is on net income. Manitoba's flat rate tax is on net income with an additional 2% applied to high income earners. Alberta's flat rate tax is on taxable income.

[c] Regular leaded gasoline. Saskatchewan residents are entitled to an annual rebate of tax on their personal in-province purchases of fuel.

[d] The 0% rate applies to new start up small businesses except in Alberta where it applies to manufacturing and processing income. Saskatchewan's 0% rate applies to both. New Brunswick's 5% rate (approximately) applies to associated small businesses with total income of $110,000 or less.

[e] In Alberta, the lower rate applies to manufacturing and processing income. In Ontario, the lower rate extends to all primary industries. In Quebec the lower rate applies to all active business income for most corporations.

[f] The lower rate applies to premiums for life, sickness and accident insurance.

[g] Quebec levies its own personal income taxes on a different base.

Alberta Personal Income Tax Reductions, 1988

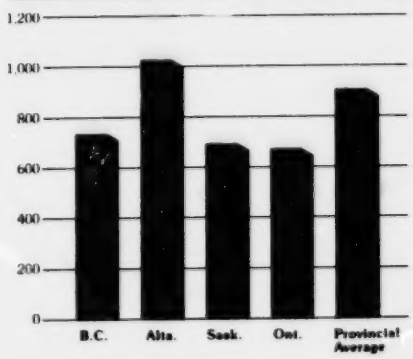
Total Income ($)	Single Taxpayer			Family of Four		
	Alberta Tax Before Cut in Flat Rate Tax ($)	Alberta Tax After Cut in Flat Rate Tax ($)	Per Cent Reduction in Alberta Tax (%)	Alberta Tax Before Cut in Flat Rate Tax ($)	Alberta Tax After Cut in Flat Rate Tax ($)	Per Cent Reduction in Alberta Tax (%)
5,000	0	0	0	0	0	0
7,500	0	0	0	0	0	0
10,000	62	10	-83.9	0	0	0
12,500	352	283	-19.6	0	0	0
15,000	645	559	-13.3	0	0	0
20,000	1,124	1,030	-8.4	562	441	-21.5
30,000	1,900	1,761	-7.3	1,443	1,304	-9.6
40,000	3,059	2,875	-6.0	2,602	2,419	-7.0
50,000	4,137	3,910	-5.5	3,671	3,444	-6.2
75,000	7,204	6,869	-4.7	6,724	6,388	-5.0
100,000	9,985	9,548	-4.4	9,505	9,067	-4.6

Education – Our First Priority

In keeping with the priorities of Albertans, the education of our youth has been given top priority for 1988-89.

- On a school year basis, total provincial operating support for basic education will increase by over 4%.
- Basic operating grants to school boards will increase by 2%, the highest increase among the major grant programs.
- Operating grants will range from over $1,060 per child in kindergarten to over $2,100 per high school student.
- Special education grants to school boards will increase to nearly $74 million, or approximately $5,300 per special education student.
- Equity grants to fiscally disadvantaged school boards will increase by 6.6%, to $56 million.
- Operating grants to post-secondary education institutions will increase by 1.5%, to $725 million.
- Financial assistance to post-secondary students will increase by 9.6%, to $112 million.
- In total, spending on basic and post-secondary education is budgeted at $2.4 billion, or almost $2,900 per household, a new record.
- Alberta ranks near the top in per capita spending on education.

Basic and Advanced Education Expenditure, 1987-88
(dollars per capita)

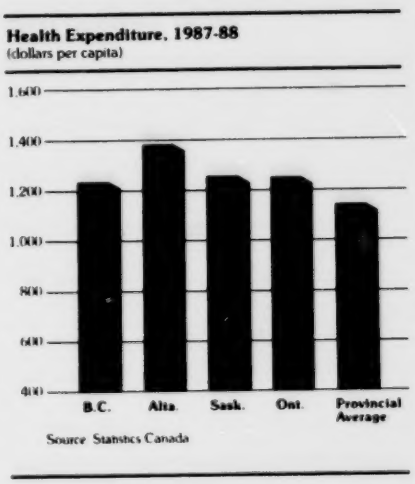


Source: Statistics Canada

Quality Health Care

Albertans in all communities of the province have access to the best medical care system in the country.

- This government will spend over $3.3 billion, or nearly $4,000 per Alberta household, another new record.
- Alberta spends more per capita on health care than any other province.
- This budget contains no increases in health care premiums.
- To strengthen preventative care, basic support for local health units will increase to $102 million.



- To allow individuals to manage their health outside of institutions, over $47 million is budgeted for the Alberta Aids to Daily Living and Extended Health Benefits programs.
- This government remains concerned about the rapid rise in health care costs and has established the Premier's Commission on Future Health Care for Albertans.

Family, Community and Social Services

This government recognizes the vital role families and communities play in building a vibrant and prosperous society.

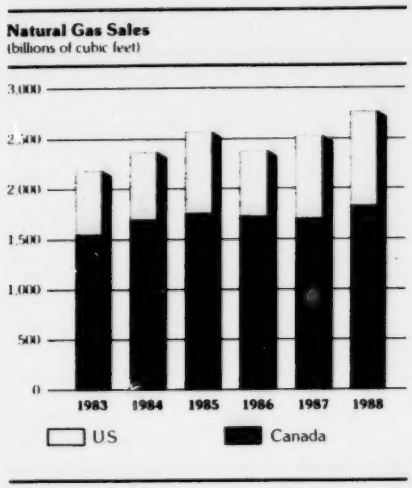
- Social allowance food rates will increase by 13.5% effective May 1, at a cost of $24 million.
- The Employment Alternatives Program will increase by 69%, to $22 million.
- The Handicapped Children's Services Program, which helps families care for their children at home, will increase by 44%.
- Foster parents' rates will increase by 4% effective May 1.
- Alberta has the highest number of day care spaces of any province and provides the highest annual subsidy at $2,300 for each child.
- Over $900 million will be spent on programs designed to assist our senior citizens to live in dignity.
- Funding for women's shelters will increase by 8.5%.

Economic Outlook

Alberta will be one of the fastest growing provinces in 1988.

- Alberta's real Gross Domestic Product is forecast to grow at a rate of 3 to 3½%.
- Business investment, especially in the oil, gas and forestry sectors, should be strong. Another good year is expected for housing starts.

- Natural gas exports are expected to build on the strong performance in 1987.
- This government's policies to create a diversified economy through tourism, forestry and high technology are working. Diversification will be a major source of future growth and stability for the economy.
- The forestry industry is a major success story. Four new projects have been announced which, when completed, will create over 5,000 direct and indirect jobs for Albertans.



- Grain prices appear to have bottomed out and a modest increase is likely. The livestock industry should continue to be strong. This government will provide over $500 million to support agriculture in 1988-89.
- The Alberta economy is growing, and that means more jobs and higher incomes for Albertans.
- Employment reached a record level in February. This government's priority commitment to employment has proven successful.
- The new Canada-United States Free Trade Agreement will provide a significant boost to Alberta's economy.

Fiscal Responsibility

Fiscal responsibility requires that we live within our means and not transfer the costs of our high living standards to future generations.

- This government remains committed to the medium-term fiscal plan introduced last year to gradually move the province to a balanced budget by 1990-91.
- Albertans do not want to be locked into chronic deficits and see more and more of their taxes go to make interest payments.
- In Alberta, less than 5¢ of each dollar of revenue goes to pay interest on debt.
- The Heritage Fund allows Albertans to receive the best quality services at the lowest rates of taxation.

Debt Servicing Costs as a Percentage of Revenue, 1987-88

4.2%
Alberta

13%
Other Provinces

30%
Federal Government

- The Heritage Fund will have provided over $9.6 billion in investment income to support programs for Albertans by the end of 1988-89.
- Since April 1987, the transfer of non-renewable resource revenue to the Heritage Fund has been suspended to meet current program needs.
- We will continue to streamline government operations in order to provide the best value for the taxpayer's dollar.

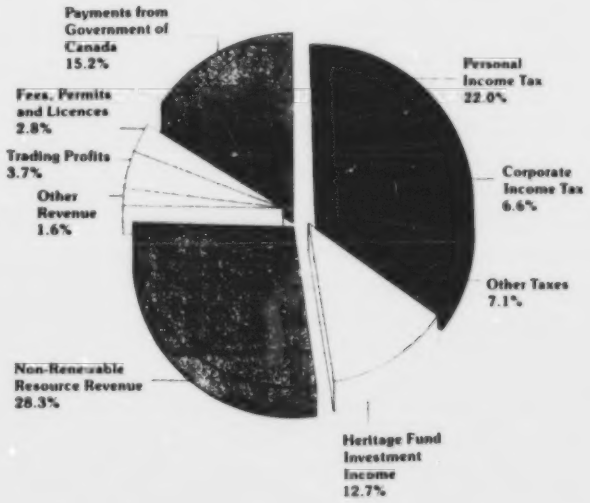
Financial Highlights, 1988-89

- Combined revenue is estimated at $9.8 billion.
- Combined expenditure is estimated at $10.7 billion, nearly $12,600 for each household in Alberta.
- The combined annual deficit has declined from $3.5 billion in 1986-87 to about $1.0 billion in 1987-88 and is estimated to fall to $835 million in 1988-89.

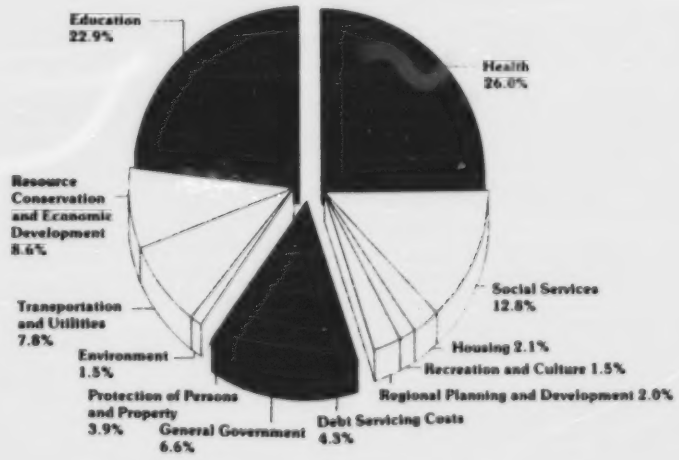
Summary Financial Plan
(millions of dollars)

	1988-89 Estimate	1987-88 Forecast	1987-88 Estimate	1986-87 Actual
Combined Revenue				
Budgetary				
General	8,574	8,114	7,327	5,723
Heritage Fund Investment Income	1,245	1,360	1,300	1,445
Heritage Fund Resource Revenue	—	—	—	218
	9,819	9,474	8,627	7,386
Combined Expenditure				
Budgetary				
Program	10,030	9,967	10,016	10,424
Debt Servicing Cost	460	400	400	185
Heritage Fund Capital Projects	164	134	140	227
	10,654	10,501	10,556	10,836
Combined Deficit	835	1,027	1,929	3,450

Combined Revenue
By Major Source, 1988-89 Estimate


Payments from Government of Canada 15.2%
Fees, Permits and Licences 2.8%
Trading Profits 3.7%
Other Revenue 1.6%
Personal Income Tax 22.0%
Corporate Income Tax 6.6%
Other Taxes 7.1%
Non-Renewable Resource Revenue 28.3%
Heritage Fund Investment Income 12.7%

Combined Expenditure
By Major Function, 1988-89 Estimate



BUDGET ADDRESS 1988

Alberta

THE HONOURABLE DICK JOHNSTON
Provincial Treasurer

BUDGET ADDRESS 1988

Presented by the Honourable Dick Johnston
Provincial Treasurer
in the Legislative Assembly of Alberta
on Thursday, March 24, 1988

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1988 Budget Speech

When I presented my last budget to the Legislative Assembly a year ago, our economic outlook was uncertain and we had experienced the largest deficit in our history. This government proposed swift, decisive action to bring the deficit under control and lead Alberta out of adverse times.

Albertans have come through one of the most difficult economic adjustments ever experienced by any province. Alberta's economy started to recover in 1987 and is poised to do even better in 1988. Our fiscal plan proved right for the times.

This budget builds on the leadership demonstrated by our actions. It reports the very real progress we have made in putting the province's fiscal house in order and in positioning Alberta for long-term prosperity.

This government remains committed to its medium-term fiscal plan to balance the budget by 1990-91. The 1988 Budget keeps the government's pledge to be fair and balanced in our approach to deficit reduction. It proposes measures to meet the priorities of Albertans. This budget will strengthen our quality people programs.

Alberta is building again. This budget assists the economic recovery by sharing the rewards of sound fiscal management with Albertans.

Economic Situation and Outlook

Before I describe our budget plan in detail, I would like to provide an overview of Alberta's economy.

The Price Shocks in 1986

Alberta's sensitivity to world events was never demonstrated more clearly than in 1986. World oil prices fell by over 50%. Natural gas and grain prices also dropped sharply.

The steep decline in prices caused the value of Alberta's economic output to fall by almost 10%. No province has experienced a drop of this magnitude since the Second World War. Adjustments to the new economic environment continued into early 1987.

The situation would have been even worse had it not been for the resiliency of Albertans. As well, this government shielded Albertans from much of the immediate impact of the drop in commodity prices by running a deficit of nearly $3.5 billion in 1986-87. We provided major fiscal stimulus to the economy when it was most needed.

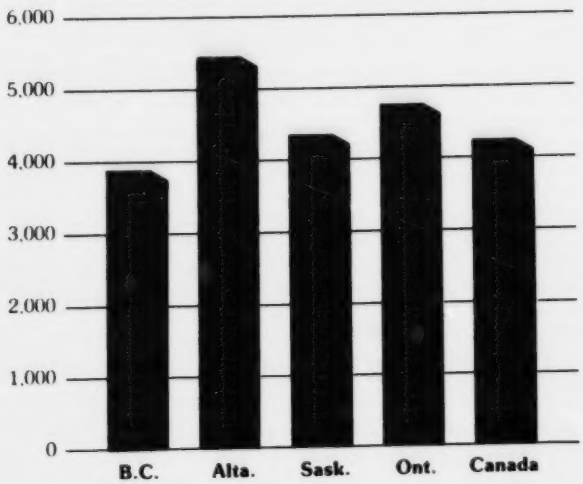
Recovery Began in 1987

By the spring of 1987, the Alberta economy began to turn around and a solid recovery got underway. Oil and gas investment rebounded significantly in response to higher oil prices, improved exports and our provincial assistance programs. Oil prices rose from about $16.50 U.S. per barrel in late February to over $20 per barrel by June. Our massive one billion dollar energy initiative, introduced in late 1986, played a major role in stimulating oil and gas drilling. Federal assistance for the energy sector also helped.

The volume of our gas sales increased in 1987, although prices remained weak. Exports to the United States climbed by 30% due to Alberta's

greater penetration of the United States midwest and California gas markets. In addition, oil exports to the United States rose by 7%, due in part to the expansion of the pipeline system.

Investment, 1987
(dollars per capita)



Source: Statistics Canada

1987 was a mixed year for our agriculture sector. The livestock industry benefited from higher prices and lower input costs. In spite of record export volumes, grain farmers suffered from low prices brought on by high world inventories and the subsidy war between the United States and Europe.

Our secondary processing industries, a key area of diversification, expanded strongly in 1987. Shipments of forest products increased 12%. The food and beverage industries grew by 16%.

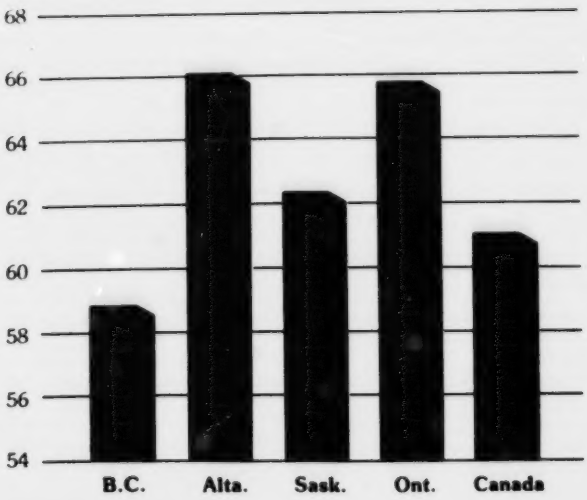
This government's leadership in bringing the provincial deficit under control increased confidence in the future of the Alberta economy. 17,000 new businesses were registered in 1987. Investment in manufacturing, commercial construction and other business sectors increased by an estimated 5%. Housing starts increased by 28%, assisted by lower interest rates. As a result, employment in the construction industry increased by one-third, or 19,000 jobs.

Alberta has consistently led the country in per capita investment. In 1987, over $5,400 per person was invested in Alberta.

As business and consumer confidence improved, retail sales also recovered, increasing by about 10% between March and December 1987 on a seasonally adjusted basis. Alberta still has the second highest per capita retail sales in Canada, a remarkable achievement given what we have been through.

By December 1987, employment had recovered the losses experienced in 1986 and early 1987. 31,000 new jobs were created during the

Employment as a Percentage of Working Age Population



Source: Statistics Canada

year. As a result, the number of unemployed Albertans fell by more than 15%, and the unemployment rate dropped to 8.7% by year-end.

Alberta continues to have more of its working age population employed than any other province. Two-thirds of Albertans of working age were employed in December 1987, compared to the Canadian average of about 61%. We are now positioned to expand our employment opportunities further.

For 1987, I estimate that real economic activity grew by about 2½%. Continued weakness in grain and natural gas prices limited the growth in the value of output to about 3%.

1987 was a transition year. We entered the year in some difficulty but by mid-year we had started to build again. Albertans moved aggressively to take advantage of opportunities.

World Economy in 1988

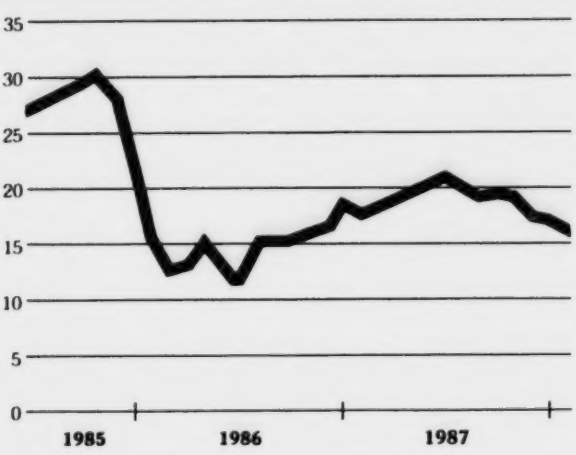
Albertans can look forward to a further expansion of economic activity in 1988. World economic developments will be important.

After a strong showing for most of 1987, oil prices weakened at year-end. In the first two and a half months of 1988, the price of West Texas Intermediate fluctuated between $15 and $18 U.S. per barrel. As events of the last two years have shown, we can expect continuing volatility in oil prices. A key issue will be OPEC's effectiveness in controlling production.

The sharp decline in world stock markets last October underlined some of the global problems we face. The key issues are the imbalances in the world economy, especially the large budget and trade deficits of the United States. The high debt load of developing countries is also cause for concern. Coordinated international action on fiscal, monetary and trade policies is needed to resolve these imbalances.

Despite these problems, a recession in the United States does not appear likely this year. I forecast that real economic growth in the United States will be about 2 to 2½% in 1988, down from the 2.9% recorded last year.

Crude Oil Prices*
($U.S./bbl)



*West Texas Intermediate spot price at Cushing, Oklahoma.

I also expect real growth in Canada to slow from the exceptional rate of about 4% last year to a little less than 3%. Although weaker than in 1987, Canada's growth rate will still be among the highest in the developed world. Investment should remain the prime source of growth, assisted by the recovery in the energy sector and improved corporate profits.

The continuing strength of the Canadian economy and high real interest rates are increasing the value of our dollar relative to the American currency. There is a concern that the climb of the Canadian dollar will reduce Canada's competitiveness in world markets.

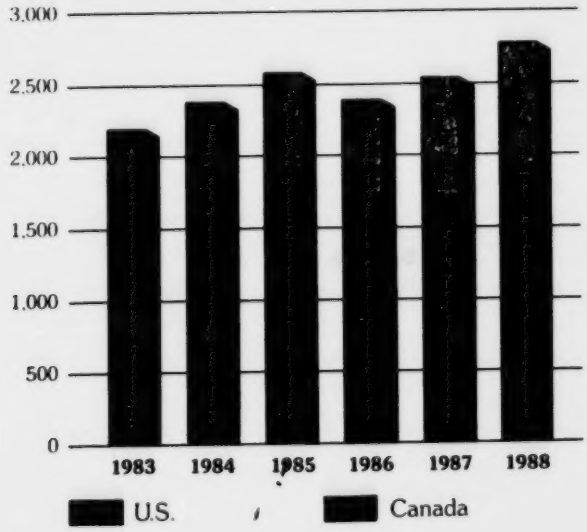
Solid Growth in 1988

Although there are questions about world

economic conditions, I am confident that Alberta's recovery will continue in 1988. Alberta will be one of the fastest growing provinces in the Canadian economy. Our growth will be led by exports and investment.

Natural gas exports to the United States will enjoy another strong year after the excellent performance in 1987. As a result, total natural gas sales in 1988 should be close to 10% higher than in 1987, and well above the previous record set in 1985. Oil exports are forecast to increase again this year. In addition, oil and gas prices are expected to improve later in the year. I also expect another solid year for manufacturing exports.

Natural Gas Sales
(billions of cubic feet)



Improving export markets should spur investment in the energy sector. Investment in other areas of the economy will also strengthen this year, reflecting the increased confidence of Albertans. Housing starts should increase by about 10% in 1988. Investment in Alberta's increasingly diversified manufacturing sector is expected to be up substantially.

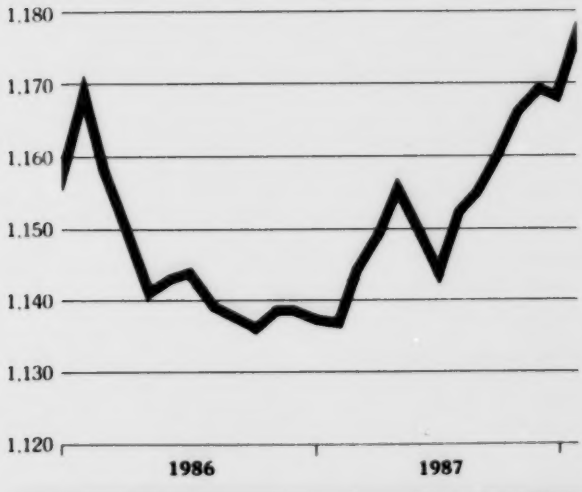
The outlook for agriculture remains mixed. The smaller crop in 1987 will make it difficult to maintain last year's record export volumes. However, grain prices appear to have bottomed out and a modest increase is likely. The livestock industry should continue to be a source of strength.

Overall, I forecast that Alberta's real Gross Domestic Product will grow by about 3 to 3½% in 1988. Most private sector forecasters share my positive view of our economic prospects.

The Alberta economy is growing, and that means more jobs and higher incomes for Albertans. I expect employment to increase by at least 2% in 1988.

The strong growth in employment in the latter half of 1987 continued into early 1988. In February, the unemployment rate fell to 8.3%, the lowest rate since 1982. Employment reached 1,178,000, a new record for the province. Our priority commitment to employment in last year's budget has paid off in more jobs for Albertans.

Employment, Alberta
(thousands)



Medium-Term Opportunities

Looking beyond 1988, prospects for the Alberta economy are even brighter. We have the economic and social foundations needed to take advantage of the opportunities which lie ahead. We have a record of stable, consistent government policy which is essential to attract new investment and businesses. We have well-educated, highly skilled people who can compete in the world marketplace.

Demand for our oil and natural gas will continue to grow. Our enormous reserves of oil sands and heavy oil will become increasingly important as sources of supply for all Canadians in the 1990's. We must begin planning now to ensure that these supplies are available when they are needed.

The fundamental strength of our agriculture sector will ensure its long-term competitiveness. Alberta strongly supports multilateral trade negotiations to end the world subsidy war that has hurt our grain producers.

Diversifying the Economy

The energy and agriculture sectors will continue to be sources of strength for the economy. However, continued diversification is essential if we are to reduce our vulnerability to fluctuations in commodity prices.

We have established a highly competitive, world-class petrochemical industry in Alberta. Demand for ethylene and its derivatives is strong and prices are climbing. Methanol supplies are tightening. We are well placed to take advantage of the opportunities which will result from the elimination of American tariffs on petrochemicals. Expansion plans are under active consideration by the industry.

The forestry industry is a major success story. Construction is already underway on the Millar Western pulp mill at Whitecourt and the Champion Forest Products pulp mill at Hinton. As announced earlier, Daishowa Canada Limited will begin construction this year of a $500 million pulp mill near Peace River. Alberta Newsprint Company will start a $360 million newsprint mill near Whitecourt. When completed, these projects will create over 5,000 direct and indirect jobs for Albertans. This government's leadership and assistance have helped make these world-scale projects a reality for Alberta.

Tourism holds great potential for economic growth and job creation. The Calgary Winter Olympics received worldwide acclaim. It has been reported that well over one billion people around the globe viewed the opening ceremonies. Much of the credit for the success of the Olympics must go to the army of volunteers whose boundless energy added so much to the spirit of the Games.

We can expect the Olympics to provide a boost to tourism, investment and exports for years to come. The Olympics have also left a legacy of over $300 million of first-class facilities which will be enjoyed by generations of Albertans.

This government's programs and policies are attracting more and more high technology firms. These firms locate where the business climate is supportive of risk takers, where highly trained people are available, and where quality family life is a priority. Alberta is that location.

By 1987, there were over 1,000 high technology firms operating in Alberta, generating sales of over one and a half billion dollars. We have an innovative communications industry operating at the leading edge of technology. The Alberta Heritage Foundation for Medical Research has helped place Alberta at the forefront of medical research. Our universities and research agencies are playing an increasing role in the transfer of technology to commercial initiatives.

This government's policies to create a balanced and diversified economy are working. Diversification will be a major source of growth in the 1990's.

Free Trade

The new Canada-United States Free Trade Agreement will also provide a significant boost to Alberta's growth in the 1990's. Trade is the economic lifeblood of Canada and Alberta. To survive and prosper in the global marketplace, we need to be competitive and have access to world markets.

The Free Trade Agreement secures improved access to the world's largest and richest market, a market that is vitally important to Alberta's industries. We also support the Uruguay round of multilateral trade negotiations, and we are increasing our efforts to promote trade with the Pacific Rim. The agreement with the United States will be a model for future trade arrangements.

We believe that Albertans will measure up to the challenges of free trade. Increased productivity of our industries will make Alberta's products more competitive not just in the United States, but also here in Canada and in other markets around the world.

Consumers will be major winners from free trade. Prices will be lower as tariff and non-tariff barriers are removed and Canadian industry becomes more efficient. Enhanced economic growth will create new jobs and increase real incomes.

Free trade will strengthen Alberta. It will provide the foundation for future prosperity.

Summary

In summary, Alberta has gone through some tough times. We experienced a major downturn in the early 1980's as a result of the National Energy Program, and a recession in 1986 due to the drop in world oil prices.

This government's fiscal strategy of providing major stimulus in 1986 worked. Our economy is growing again. 1987 was a good year and 1988 should be even better. The future looks bright given our resource base, our diversification successes, and the opportunities created by free trade.

Fiscal Situation and Strategy

The 1988 Budget is the second step in the medium-term fiscal plan which this government introduced last year. Our objective is to take the province progressively from a deficit of nearly $3.5 billion in 1986-87 to a balanced budget by 1990-91. The fiscal plan is an integral part of our strategy to position our province for the tremendous opportunities that lie ahead.

Albertans want quality programs and services they can depend on. The best way to guarantee this is to make sure our programs are affordable. Fiscal responsibility requires that we live within our means and not transfer the costs of our high living standards to future generations. That is why this government made difficult but responsible choices in the 1987 Budget and adopted a four-year fiscal plan to balance the budget.

Fiscal Plan is Working

A year into the plan, I am pleased to report that it is working.

We targeted for a deficit of $1.9 billion in 1987-88. Our revenue estimate was based on an average oil price of $17 U.S. per barrel. Even though oil prices have been below $16 per barrel recently, I expect that for 1987-88 as a whole, oil prices will average higher than originally anticipated.

As a result of higher average oil prices and

higher than expected oil production, crude oil royalties for 1987-88 are forecast to be $310 million more than previously estimated. Growing optimism in the energy sector and our attractive royalty regime led to an increase of $470 million in revenue from the sale of drilling rights.

In addition, our tax revenue received an unexpected boost of $90 million from a special federal acceleration of personal income tax remittances.

Mainly due to these factors and firm controls on expenditure, I forecast the combined deficit to total just over $1 billion in 1987-88. This is approximately **$900 million** better than estimated in the 1987 Budget.

While the 1987-88 results are encouraging, we cannot count on world market forces to solve our deficit problems. As the experience of the last few months has shown, oil prices remain subject to wide fluctuations and are difficult to predict.

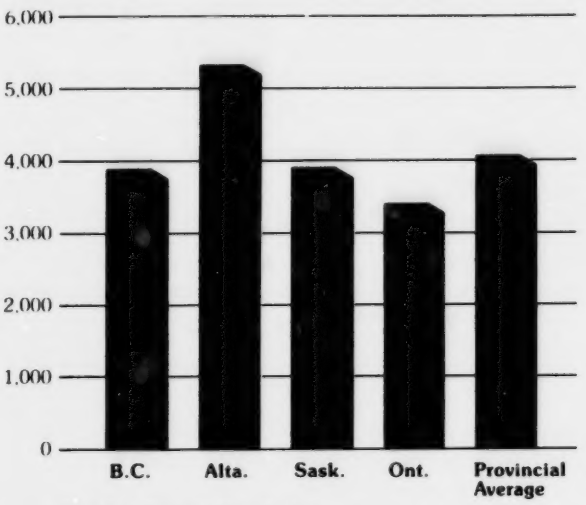
Albertans played a major role in helping to reduce the deficit. This government asked Albertans to support some of the toughest decisions that any government has made in recent times. We received that support. We will not forget the contribution made by Albertans toward the success of our fiscal plan.

1988-89 Strategy

In discussing the fiscal strategy for 1988-89, it is important to realize that, even with the expenditure and tax measures implemented in the last budget, Alberta continues to have the highest per capita spending on services to our citizens and the lowest overall rate of taxation of any province in Canada.

In Alberta, most of our revenue goes to pay for services to Albertans. Less than five cents of each dollar of revenue is needed to pay interest on our debt. By comparison, other provinces spend, on average, approximately thirteen cents of each dollar of revenue on debt costs and the federal government needs thirty cents of every dollar to meet the interest on the national debt.

Program Expenditure, 1987-88*
(dollars per capita)



*Based on Statistics Canada data.

We do not need to repeat the mistakes of other governments to learn that continuing high deficits do not lead to prosperity. Lasting prosperity is built not by hiding from tough decisions but by rising to the challenges before us.

This government's actions to reduce the deficit are born out of necessity and common sense. Albertans do not want to be locked into chronic deficits and see more and more of their taxes go to make interest payments. It is essential that we tackle our deficit problem now. In the last two years of deficit financing, the provincial debt in respect of the General Revenue Fund and the Capital Fund has grown from $125 million at March 31, 1986, to an estimated $5 billion at December 31, 1987.

High deficits make governments vulnerable to economic shocks and limit future choices. We must get the provincial finances in shape to meet the priorities of tomorrow.

We are determined to keep the costs of government down. Our fiscal strategy is to encourage private initiative and investment by providing the best business climate in the country. Good economic performance is essential to our goal of providing quality programs and services to Albertans.

This government's action plan for 1988-89 is:

- First, to lower personal income taxes for Albertans.
- Second, to provide expenditure increases to meet the priorities of Albertans. Education will receive priority support.
- Third, to continue reducing the deficit in line with our fiscal plan. The Heritage Fund will be fully utilized to meet the needs of Albertans.

Debt Servicing Costs as a Percentage of Revenue, 1987-88

4.2%
Alberta

13%
Other Provinces

30%
Federal Government

Heritage Fund

The Heritage Fund is an essential component of the government's fiscal strategy. Since September 1982, all Heritage Fund investment income has been used to fund services and programs for Albertans. By the end of the 1988-89 fiscal year, over $9.6 billion of investment income will have been used to support programs for Albertans.

Until last year, 15% of resource revenue was transferred to the Heritage Fund. Since April 1987, all of the revenue from our non-renewable resources has been used to fund people programs and reduce the deficit.

Because the Heritage Fund no longer receives any portion of non-renewable resource revenue and because all the investment income generated by the Fund is transferred to help reduce the deficit, the asset base of the Fund has ceased to grow.

The Capital Projects Division of the Heritage Fund, which finances projects with long-term eco-

nomic or social benefits, is currently limited to 20% of the Fund's total assets. The assets of the Capital Projects Division at March 31, 1988, are forecast at nearly $3 billion, or 19.3% of the total assets of the Heritage Fund. To accommodate the estimated 1988-89 expenditure of $164 million under the Capital Projects Division, the government will be introducing legislation in this session to raise the limit for the Capital Projects Division.

The support of the Heritage Fund is critical to our ability to provide the best quality services at the lowest rates of taxation. The revenue from Heritage Fund investments provides income equivalent to a 6% sales tax.

1988-89 Expenditure Plan

In developing our 1988-89 expenditure plan, we reviewed our programs carefully. We focused our attention on the priorities of Albertans. We directed departments to reduce overhead without impairing program delivery.

In times of financial constraint, families and individuals must select their priorities and reduce expenditure where possible. A responsible government can do no less.

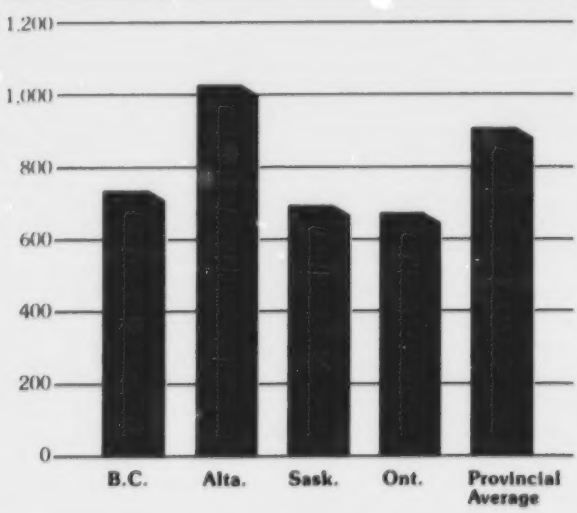
The 1988-89 expenditure plan promotes the economic and social well-being of Albertans. It continues to build for the long term by providing quality education to our children and assistance for economic diversification and job creation. The expenditure plan provides strong support to families and our communities through an unmatched range of health and social programs.

Education – Our First Priority

Building for the future must begin with our children. Their skills and knowledge provide the foundation for a strong, prosperous Alberta. It is important that our young people be armed with the skills needed to work and compete in a rapidly changing, high-technology environment.

Preparing our youth for tomorrow's challenges has always been a high priority of this government. Alberta ranks near the top in per capita spending on education in Canada.

Basic and Advanced Education Expenditure, 1987-88
(dollars per capita)



Source: Statistics Canada

In keeping with the expectations of Albertans, the education of our children has been given top

priority for 1988-89. Basic operating grants to school boards are being increased by 2%, the highest increase among the major grant programs. On a school year basis, total provincial operating support for basic education will increase by over 4%.

In the 1988-89 school year, school boards will receive over $1,060 in basic operating grants for each child enrolled in the Early Childhood Services Program, $1,830 for each student in grades 1 to 6, nearly $2,000 for each junior high student and over $2,100 for each senior high student.

Special education grants to school boards will be increased by 2% to nearly $74 million, or approximately $5,300 for each special education student. As well, school boards that are fiscally disadvantaged will receive equity grants amounting to over $56 million, an increase of 6.6%.

An additional $4 million will be made available to implement the new junior and senior high school curricula. These funds will be used to purchase new learning materials and prepare teachers for the new and improved courses.

To enhance and strengthen the educational opportunities available to our children in small, rural communities, funding for the special Distance Education Pilot Project will be more than doubled.

The enrichment of existing programs and funding of new programs means that total provincial support for the basic education of our children will reach almost **$1.4 billion** in 1988-89.

In a knowledge-based economy, post-secondary education is a key ingredient for success and growth. The government's basic operating grants to post-secondary institutions will increase by 1.5% to a total of $725 million. In addition, over $3 million will be spent to improve equity of funding among post-secondary institutions.

A number of new initiatives are being funded to enrich educational opportunities available to Albertans. Over $5 million will be provided for new programs at Grant McEwan Community College, Athabasca University and several other post-secondary institutions.

Financial assistance to post-secondary students will be increased by 9.6%, to **$112 million**. Our unequalled level of support for students ensures that no Albertan will be denied a quality education.

Including the $83 million from the Capital Fund for the construction of post-secondary education facilities, this government is budgeting over **$1 billion** for post-secondary education.

Total spending in 1988-89 on basic and advanced education is targeted at over **$2.4 billion**, a new record. This is equivalent to almost $2,900 per household and will build a solid base for the future of our province.

Economic Development and Diversification

Just as Alberta's standard of living is mainly determined by our economic performance, the government's ability to provide high quality services also depends upon the strength of our economy. We must continue to develop and diversify our economic base. This government has targeted tourism, forestry and high technology as the main elements of our diversification strategy.

Tourism is a major strength of the Alberta economy. We have an exciting province with much to offer Albertans and visitors alike. The government has funded the development of world-class recreation and cultural facilities. These include Kananaskis Country, the Tyrrell Museum of Palaeontology in Drumheller and the Head-Smashed-In Buffalo Jump Park near Fort Macleod.

Two new projects will be started in 1988-89 – the $20 million Reynolds Alberta Museum in Wetaskiwin and the $11 million Remington Alberta Carriage Centre in Cardston.

We are also implementing two new tourism

programs which will be funded from lottery revenues. $30 million will be provided over five years for the Community Tourism Action Program to support municipalities with the cost of developing their own tourism projects. $20 million will be allocated over five years to the new Team Tourism Program to assist local tourism organizations in promoting their community and regional attractions as distinct travel destinations.

We also want to keep our own tourism dollars here in Alberta. The "Take an Alberta Break" Program has been highly successful in meeting this goal. It will be expanded in 1988-89 to draw tourists from Saskatchewan and Montana.

Forestry is a major success of this government's diversification strategy. Several new world-scale projects are already underway. They will create many new jobs for Albertans, especially in smaller communities such as Whitecourt, Hinton and Peace River.

To facilitate future development, we will introduce two new programs in 1988-89. $30 million will be provided to build the transportation system to assist the development of Alberta's forest resources. This investment will also increase public access to our forests and enhance recreational and other land uses. Over $6 million will be provided in 1988-89 for a new program of forest regeneration.

Promotion of high technology and research is the third element of our diversification strategy. Alberta's support for research and development is already more than double that of any other province. Additional funding will be provided in 1988-89.

Grants to the Alberta Research Council will increase by over 9%. Work will begin on an $8 million capital project in Edmonton to support the Alberta Research Council's oil sands and heavy oil research activities. $4.5 million will be provided for the recently announced new facility for the Centre for Frontier Engineering Research in Edmonton. Over $11 million will be invested in developing new applications in biotechnology and other emerging technologies.

Diversification also results from greater processing of our agricultural products. Assistance to firms processing and marketing agricultural products will more than triple to $16 million. We will also provide up to $1 million in matching funds in each of the next three years to support a marketing program by the Alberta Food Processors Association.

Expanding the base of our economy is not a test of government alone. It is a challenge to us all, to our drive, enterprise and ingenuity. This government will act as a catalyst to encourage diversification. By working together with the private sector, we can expand and build on our economic base.

Support for Our Base Industries

While this government has made significant progress in diversifying our economy, we must continue to build on our strengths in agriculture and energy.

The health of agriculture is of fundamental importance to our rural communities. Our unequalled support for agriculture has two main objectives: stabilizing farmers' and ranchers' incomes, and reducing their input costs.

In addition to crop insurance, we participate in stabilization programs for red meat products, sugar beets and dry edible beans.

Our programs to reduce farm input costs will be continued. We will provide $84 million in 1988-89 to lower farmers' fuel input costs. Close to $18 million will be available to reduce fertilizer costs. The natural gas rebate for primary agricultural producers and financing assistance under the Alberta Farm Credit Stability Program will continue.

We will also continue to press the federal government to have the Crow Rate benefit paid to grain producers rather than to the railways. In 1988-

89, we will provide over $50 million to offset the feed grain market distortion facing our livestock producers.

Irrigation is important in many areas of Alberta. $133 million will be provided for irrigation and water resource management projects from the Heritage Fund and the Capital Fund. The Farm Water Grant Program will be extended for three more years to assist with on-farm water distribution projects. Work on the Oldman River Dam will continue.

Agricultural research is essential to maintain the competitiveness of Alberta's farmers, ranchers and food processors. The Farming for the Future Program will receive $5 million from the Heritage Fund. In tandem with the federal government, $3.1 million will be allocated to the Alberta Agricultural Research Institute and $1 million will be provided for soils research programs.

This government will provide over **$500 million** for agriculture in 1988-89. In addition, work to provide private telephone service to rural families will continue at a cost of $57.5 million in 1988-89. We do **more** to help our farmers and ranchers than any other province in Canada.

In the energy sector, we continue to assist the development of conventional oil and gas. Our $1 billion initiative, announced in October 1986, to reduce royalty rates and increase incentives is a major factor in the upturn in drilling activity. It will provide lasting benefits.

The development of our oil sands, heavy oil and coal resources will become increasingly important to meet the energy needs of Canadians. Over $45 million will be provided in 1988-89 for research in these areas. Funding will also be provided for preliminary work on proposed new oil sands projects.

This government's commitments to agriculture and energy recognize the fundamental role these industries play in the economic and social life of all Albertans.

Employment

Only a healthy, growing economy can provide quality, long-term jobs for Albertans. This government's responsible management of provincial finances and our economic development programs have created the climate for the private sector to invest and create permanent jobs.

Small businesses are the major source of new jobs. Our incentives for them are second to none. They benefit from low corporate tax rates and fixed interest rate loans under the Alberta Small Business Term Assistance Plan. The Small Business Equity Corporations Program has been a major success. We will provide increased funding in 1988-89 to encourage business ventures by native Albertans and to assist small business incubators across the province.

Career Development and Employment continues to assist businesses, especially small companies, to create new employment. Now that the economy is growing again, emphasis will be shifted to training programs to ensure that Albertans have the skills required by our expanding economy. Funding for training in schools and industry will be increased by 8%, to $110 million.

The Alberta Municipal Partnership in Local Employment Program provided $22.5 million to local governments in 1987-88 to create employment opportunities. In 1988-89, payments to municipalities under the program will more than double to **$57.5 million**.

Our capital program also creates jobs for Albertans. Departmental capital spending through the General Revenue Fund and Capital Fund is budgeted at over $1.4 billion.

This includes over $570 million for transportation. In addition to the previously mentioned $30 million program for roads for forestry resource development, the budget includes $83 million for the improvement of secondary roads, an increase of $12

million. Twinning of Highways 1 and 16 continues to be a priority of the government.

$10 million is budgeted as part of the province's $62 million commitment to a new major transportation project in Red Deer. The Urban Transportation Program has been extended to March 31, 1989.

Heritage Fund capital projects are estimated at $164 million and Crown corporations will support $900 million in capital activity.

In total, this government's capital expenditure is expected to reach **$2.5 billion** in 1988-89.

Quality Family and Community Services

This government recognizes the vital role families and communities play in building a vibrant and prosperous society. Our 1988 Budget strengthens the vast array of government services and programs designed to assist and strengthen our families and communities.

Our excellent day care system makes it possible for many parents, especially mothers, to participate in the labour force. Alberta has the greatest number of day care spaces per capita in Canada. 28,600 children are currently enrolled in subsidized day care in Alberta.

The average annual subsidy for each child is $2,300, the highest in Canada. The government is reviewing our day care system to ensure that these subsidies are provided to families with the greatest need.

Funds are also provided to assist communities to establish out-of-school care programs.

The Handicapped Children's Services Program helps families to care for their handicapped children at home. Currently, over 4,100 children and their families are supported by this program. It is the only program of its kind in Canada. In response to a growing need, the budget is being increased by 44%.

Foster parents play a vital role in caring for children who cannot remain with their families. The support rates for foster parents will be increased by 4% effective May 1, 1988.

Albertans are proud of their independent spirit. The government assists Albertans to remain in their homes when dealing with health setbacks. The Coordinated Home Care Program provides services such as meals on wheels and homemaking. The 1988-89 budget includes $32 million for these services.

In order to raise awareness of issues affecting women, the budget for the Women's Secretariat and the Alberta Advisory Council on Women's Issues is being increased by 11%. Funding for women's shelters will increase by 8.5%.

Over $15 million will be provided to those Albertans requiring legal aid.

This government is steadfast in its commitment to help families in need. We have budgeted an additional **$24 million** to increase social allowance food rates by 13.5% effective May 1, 1988.

We will continue to provide social assistance recipients with incentives to earn and learn through participation in our successful Employment Alternatives Program. In 1988-89, funding will increase by 69% to $22 million. This program, together with Alberta's strengthening economy, has provided jobs for social allowance recipients, thus reducing our social allowance spending.

In 1988-89, the government will spend $11.5 million more to provide basic income support under the unique Alberta Assured Income for the Severely Handicapped Program. To expand vocational rehabilitation programs for young handicapped adults, we will increase funding by 21%.

To encourage and promote the fullest participation by disabled persons in our society, $678,000 has been provided for the first full-year operation of the Premier's Council on the Status of Persons with Disabilities.

Senior Citizens

This government has always recognized the contribution made by our seniors toward building and maintaining strong, stable communities. We provide numerous programs to help them live full and satisfying lives.

To provide our seniors a dignified retirement, we will maintain our unmatched benefits under the Alberta Assured Income Plan and the unique Widow's Allowance Program.

Health is of prime concern to seniors. They will continue to enjoy basic health and Blue Cross coverage premium free. Our extended health benefits programs for seniors cover dental and optical services, and specialized medical equipment and supplies. Seniors do not pay any premiums for this coverage.

Living independently is vitally important to seniors, and this government helps make it possible. $14 million in additional funds will be allocated to the Senior Citizen Renter Assistance and Property Tax Rebate programs. Senior citizens who reside in their own homes will continue to receive a rebate of $100 per year under the Senior Citizen Home Heating Protection Program.

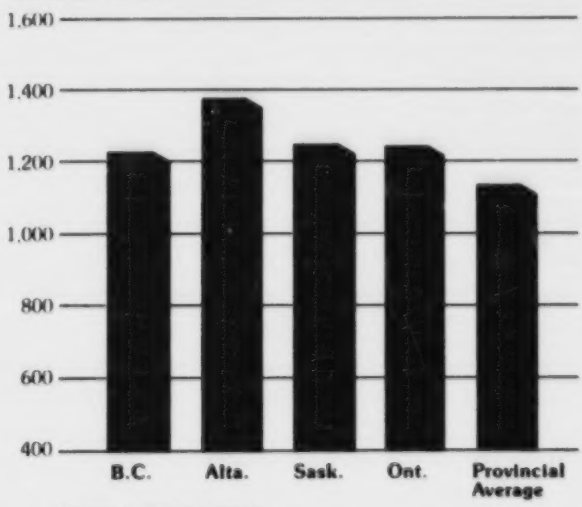
When circumstances require longer-term care, our seniors have access to the finest auxiliary hospitals and nursing homes in the country. We will provide $407 million for these facilities.

In 1988-89, this government will spend over **$900 million** on programs designed to support our senior citizens.

Quality Health Care

Albertans in all communities of the province have access to the best medical care system in the country. In 1988-89, to meet the health care needs of Albertans, this government will spend over **$3.3 billion**, or nearly $4,000 per household, another new record. This includes funding from the General Revenue Fund, the Alberta Health Care Insurance Fund, the Capital Fund and the Heritage Fund. Alberta spends more per capita on health care than any other province.

Health Expenditure, 1987-88
(dollars per capita)



Source: Statistics Canada

I am pleased to announce that there is no increase in health care premiums in this budget. The government, however, remains concerned about the rapid rise in health care costs. The operating budget for Hospitals and Medical Care has more than tripled in the last ten years. It will rise by another 6.9% in 1988-89.

Clearly, if we are to maintain our quality services, we must get the best value for every health care dollar. Part of the strategy for reducing health care costs must include increased emphasis on disease prevention and good health. To strengthen preventive care, our basic support for local health units will increase to $102 million in 1988-89.

To allow individuals to manage their health problems outside of institutions, over $47 million is budgeted in 1988-89 for the Alberta Aids to Daily Living and Extended Health Benefits programs.

A new Impaired Drivers Program costing nearly $1 million will be developed to discourage driving while impaired and improve the monitoring of suspended drivers.

All these programs assist in containing the long-term cost of health care. To ensure that Alberta's health care system makes the best possible use of our resources, this government has established the Premier's Commission on Future Health Care for Albertans.

The Commission will study the issues and options for health care and report its recommendations by December 31, 1989. The Commission has also been requested to prepare an interim report on the concerns of nurses regarding their role in the delivery of health care.

Support for Local Governments

The public services delivered by local governments are an integral part of the programs accessed by Alberta families and communities. Only by working together in partnership can we best meet the needs of Albertans. To foster this spirit of cooperation, a new Provincial-Municipal Premier's Council has been established.

As announced in January of this year, a new **$147 million** Alberta Partnership Transfer Program will be introduced in 1988-89. The program combines funding previously provided through basic municipal grants, municipal police assistance grants and public transit operating assistance grants. This change will further strengthen decision-making at the community level by allowing municipalities to allocate the funds in accordance with their own priorities.

The province will spend nearly $63 million to meet commitments to reduce the capital borrowing costs of municipalities through the Municipal Debenture Interest Rebate Program.

As previously mentioned, municipalities will also receive $57.5 million under the Alberta Municipal Partnership in Local Employment Program. Through this program, municipalities will receive over **$500 million** over an eight year period.

This government's basic grants to municipal, regional and community library systems will increase to $11.3 million. The Shortgrass Regional Library System in southeastern Alberta, the fifth and most recent regional library to be organized in the province, will receive an establishment grant of over $600,000. In addition, a new lottery funded program will help expand and develop our library systems by providing $4.6 million for capital development.

The Family and Community Support Services Program assists municipalities in providing a wide range of programs for families and senior citizens. Funding is being increased by $500,000 to allow additional communities to take advantage of the program.

Improving Government Productivity

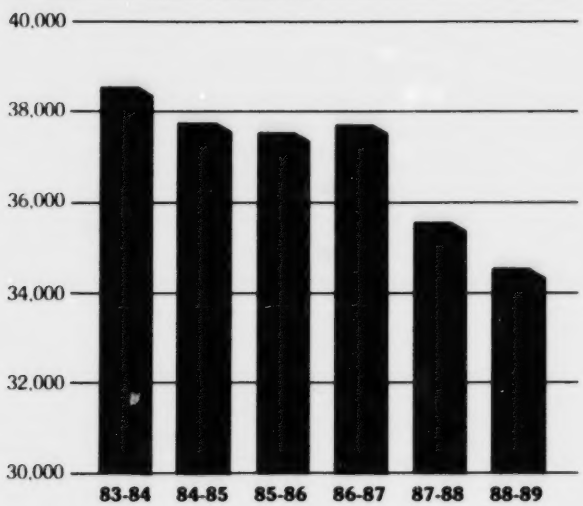
In order to fund increases in our priority areas, budgets for government administration and general overhead will be reduced by a further 2.6% in 1988-89. In addition, government departments and agencies will be required to absorb any cost increases resulting from inflation.

Due partly to the success of our early retirement incentive program, departmental full-time equivalent employment is reduced by over 1,000, or 2.9%. Minimal lay-offs are anticipated as departments are expected to deal with staffing reductions primarily through attrition and redeployment.

The government is closely monitoring public sector wage settlements. We are concerned that

public sector settlements not lead the private sector.

Full-Time Equivalent Public Service Employment



We will expand the use of private sector firms in the provision of services required by the government. In 1988-89, the private sector will provide over 50% of our warehousing services and 25% of our property management services. As well, 90% of the computing system design of our central data services will be done by the private sector.

The government will continue to streamline its operations in order to provide the best value for the taxpayer's dollar.

Expenditure Plan in Summary

Based on the plan I have just outlined, combined program spending of the General Revenue Fund and the Heritage Fund will be increased slightly to almost $10.2 billion in 1988-89.

Approximately 70% of the province's spending is in the form of grants to hospitals, universities, schools, municipalities, businesses and individual Albertans. To pay for increases in these grants, funding for government manpower, supplies and services will be reduced by 3%.

We need to have the ongoing support of grant recipients if we are to be successful in holding the line on expenditure. Through cooperation, we can best serve Albertans.

$460 million is expected to be required in 1988-89 to service the provincial debt. This is an increase of 15% over 1987-88.

Including debt costs, combined government spending is budgeted at almost $10.7 billion, nearly $12,600 for each household in Alberta.

This expenditure plan meets the needs and priorities of Albertans. It is fair. It is consistent with our fiscal plan to put the provincial finances on a sound footing. This plan ensures that Albertans will continue to receive the best services and programs in Canada.

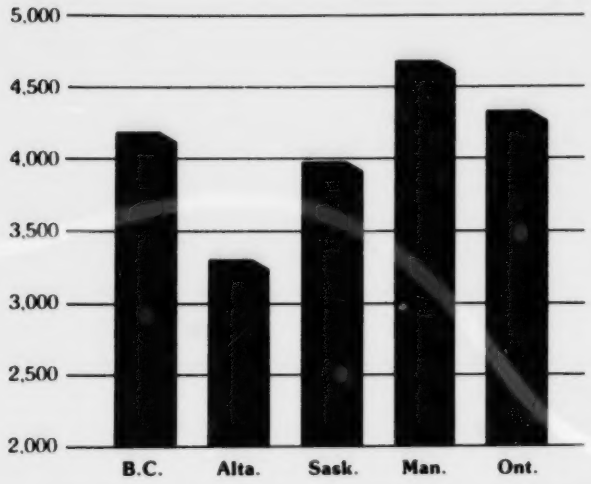
Taxation

Albertans enjoy the lowest overall tax rates in Canada. Low tax rates help maintain our competitive edge by encouraging initiative and rewarding success.

I am pleased to announce that Alberta's personal income tax will be reduced. **The flat rate tax on personal income will be cut by one-half effective January 1, 1988**. This will leave Albertans with $165 million more in take-home pay.

Further, our support of the federal personal income tax reduction will result in a lowering of provincial taxes by another $20 million. In total, about

Comparison of Provincial Taxes Payable*



* Family of four, gross income of $40,000. Includes provincial personal income tax, sales tax, health care insurance premiums, tobacco tax, fuel tax and hotel room tax. Other provinces as of March 1, 1988.

$185 million more will remain in Albertans' pockets. This will boost our economy and create jobs.

Low income Albertans will receive the largest percentage reduction from our tax cut. Nearly one-half million Albertans will benefit from the Alberta Selective Tax Reduction.

The reduction in the Alberta flat rate tax will benefit all Albertans. It will result in an after-tax income gain of $183 for a one income family of four with $40,000 employment income, a gain of $116 for a single parent family of three with $25,000 employment income and a gain of $132 for a senior citizen couple with $30,000 pension income.

Because of the federal government's requirement for advance notice, taxes withheld from pay will not be reduced until July of this year. The amount of reduction in the second half of 1988 will take into account the fact that the tax cut applies to income for the whole year.

As Albertans, we pay no provincial sales tax and enjoy the lowest overall taxes in the country. The tax cut I have announced tonight will lower our taxes even further.

Alberta Personal Income Tax Reductions, 1988

Total Income ($)	Single Taxpayer			Family of Four		
	Alberta Tax Before Cut in Flat Rate Tax ($)	Alberta Tax After Cut in Flat Rate Tax ($)	Per Cent Reduction in Alberta Tax (%)	Alberta Tax Before Cut in Flat Rate Tax ($)	Alberta Tax After Cut in Flat Rate Tax ($)	Per Cent Reduction in Alberta Tax (%)
5,000	0	0	0	0	0	0
7,500	0	0	0	0	0	0
10,000	62	10	-83.9	0	0	0
12,500	352	283	-19.6	0	0	0
15,000	645	559	-13.3	0	0	0
20,000	1,124	1,030	-8.4	562	441	-21.5
30,000	1,900	1,761	-7.3	1,443	1,304	-9.6
40,000	3,059	2,875	-6.0	2,602	2,419	-7.0
50,000	4,137	3,910	-5.5	3,671	3,444	-6.2
75,000	7,204	6,869	-4.7	6,724	6,388	-5.0
100,000	9,985	9,548	-4.4	9,505	9,067	-4.6

Major Provincial Tax Rates[a]

	Personal Income Tax[b]			Retail Sales Tax	Gasoline Tax[c]	Tobacco Tax	Health Care Premiums		Corporate Income Tax		Capital Tax	Payroll Tax	Insurance Premiums Tax[f]
	Basic Rate	High Income Surtax	Flat Rate Tax				Individual	Family	Small Business Rate[d]	General Rate[e]			
	(%)	(%)	(%)	(%)	(¢ litre)	($ pack of 25)	($)	($)	(%)	(%)	(%)	(%)	(%)
British Columbia	51.5	—	—	6	9.9	1.02	240	504	11	14	0.2	—	2.3
Alberta	46.5	8.0	0.5	—	5.0	1.00	216	432	0.5	9/15	—	—	2/3
Saskatchewan	50.0	12.0	1.5	7	7.0	1.17	—	—	0.10	17	0.5	—	2.3
Manitoba	54.0	—	2.0 2.0	7	8.9	1.15	—	—	10	17	0.3	2.25	2.3
Ontario	50.0	3.0	—	7	8.3	0.71	357	714	0.10	14.5 15.5	0.3	—	2.3
Quebec	—[g]	—	—	9	14.4	1.13	—	—	0.3 2.2	5.9 13.9	0.48	3.22	2.3
New Brunswick	58.0	—	—	11	7.8	1.06	—	—	5.9	15	—	—	2.3
Prince Edward Island	55.0	—	—	10	8.9	0.88	—	—	10	15	—	—	2
Nova Scotia	56.5	—	—	10	8.7	1.13	—	—	0.10	15	—	—	2.3
Newfoundland	60.0	—	—	12	9.8	1.20	—	—	0.10	16	—	—	4

[a] 1988 rates for other provinces as of March 1, 1988

[b] Alberta's, Saskatchewan's and Ontario's high income surtaxes are on provincial tax payable. Saskatchewan's flat rate tax is on net income. Manitoba's flat rate tax is on net income with an additional 2% applied to high income earners. Alberta's flat rate tax is on taxable income.

[c] Regular leaded gasoline. Saskatchewan residents are entitled to an annual rebate of tax on their personal in province purchases of fuel.

[d] The 0% rate applies to new start up small businesses except in Alberta where it applies to manufacturing and processing income. Saskatchewan's 0% rate applies to both. New Brunswick's 5% rate (approximately) applies to associated small businesses with total income of $110,000 or less.

[e] In Alberta, the lower rate applies to manufacturing and processing income. In Ontario, the lower rate extends to all primary industries. In Quebec the lower rate applies to all active business income for most corporations.

[f] The lower rate applies to premiums for life, sickness and accident insurance.

[g] Quebec levies its own personal income taxes on a different base.

Revenue Outlook

After allowing for the personal income tax reductions, total revenue from taxes is estimated at nearly $3.5 billion in 1988-89.

Non-renewable resource revenue is estimated at $2.8 billion, which is a 12% increase over the 1987-88 forecast. Underlying the royalty estimate is an average oil price assumption of $18.50 U.S. per barrel. Resource revenue will account for 28% of total revenue.

Heritage Fund investment income is estimated at $1.2 billion, a decline of 8.5% over the 1987-88 forecast. This decrease is due mainly to the lower market interest rates on re-investments. Nevertheless, the income from the Heritage Fund will provide nearly 13% of our total 1988-89 revenue.

Payments to Alberta from the Government of Canada are expected to be nearly $1.5 billion, an increase of 4% from the 1987-88 forecast.

We have applied to the federal government for compensation under the revenue stabilization provisions of the federal fiscal arrangements legis-

lation. This application is in respect of the large drop in our revenue in 1986-87. The application involves consideration of complex financial issues. Although it is too early to predict the outcome of the negotiations, we will pursue our claim vigorously.

I estimate total revenue for 1988-89 at $9.8 billion. This represents an increase of 3.6% over the 1987-88 forecast.

Financial Plan

Based on the revenue outlook and expenditure plan I have outlined, the combined General Revenue Fund and Heritage Fund deficit is estimated at $835 million in 1988-89. This is a decrease of over $192 million from the 1987-88 forecast.

Summary Financial Plan
(millions of dollars)

	1988-89 Estimate	1987-88 Forecast	1987-88 Estimate	1986-87 Actual
Combined Revenue				
Budgetary				
General	8,574	8,114	7,327	5,723
Heritage Fund Investment Income	1,245	1,360	1,300	1,445
Heritage Fund Resource Revenue	—	—	—	218
	9,819	9,474	8,627	7,386
Combined Expenditure				
Budgetary				
Program	10,030	9,967	10,016	10,424
Debt Servicing Costs	460	400	400	185
Heritage Fund Capital Projects	164	134	140	227
	10,654	10,501	10,556	10,836
Combined Deficit	835	1,027	1,929	3,450

Provincial Borrowing

The net cash requirements for the General Revenue Fund and the Capital Fund are estimated to total $946 million during 1988-89, a decrease of $74 million from the 1987-88 forecast. As of December 31, 1987, the province had borrowed approximately $5 billion for these two funds.

Net Cash Requirements
(millions of dollars)

	1988-89 Estimate	1987-88 Forecast	1987-88 Estimate	1986-87 Actual
General Revenue Fund				
Budgetary Deficit	671	893	1,789	3,440
Net Non-Budgetary Transactions	115	111	128	(45)
Adjustments to Cash Basis	(81)	(211)	(79)	(376)
	705	793	1,838	3,019
Capital Fund	225	211	290	240
Sinking Fund Requirements	16	16	16	15
Net Cash Requirements	946	1,020	2,144	3,274

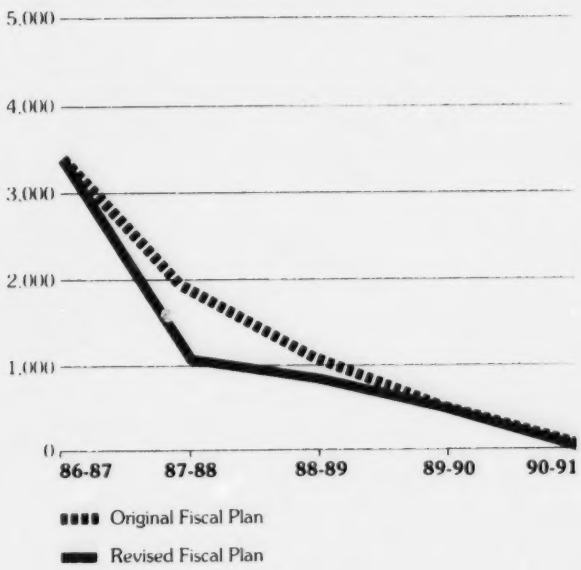
Medium-Term Fiscal Plan

Last year, this government developed a four-year plan to balance the budget by 1990-91. We have surpassed our 1987-88 target thanks to higher than expected resource revenue and our expenditure control measures.

As mentioned earlier, resource revenue accounts for 28% of our total revenue and remains susceptible to large fluctuations. This underlines the need to continue to control our expenditure.

Successful completion of our fiscal plan will still leave Alberta with a significant debt that will have to be repaid. By 1990-91, the debt of the General Revenue Fund and the Capital Fund is expected to be approximately $6 billion.

Medium-Term Fiscal Plan
(millions of dollars)



Summary Highlights

To summarize, the highlights of the 1988 Budget are:

- Provincial personal income taxes are reduced by $185 million. $165 million is from this government's reduction in the Alberta flat rate tax. Low income Albertans receive the greatest percentage reduction.
- Education of our youth is our first priority.
  - Over $2.4 billion or almost $2,900 per household is budgeted for education.
  - On a school year basis, total provincial operating support for basic education will increase by over 4%.
  - Financial assistance to post-secondary students is increased by 9.6%, to $112 million.
- Economic diversification and job opportunities are strengthened:
  - Two new community tourism initiatives and two new cultural projects will receive $81 million over five years.
  - $30 million is budgeted for new infrastructure in support of forestry and $6 million for a new program of forest regeneration.
  - Grants to the Alberta Research Council will rise by 9%.
  - Support for agricultural processing will be tripled to $16 million.
- To assist employment, this government's capital budget will total $2.5 billion and the Alberta Municipal Partnership in Local Employment Program will more than double to $57.5 million.
- Our vital agricultural sector will receive over $500 million in support.
- This government's commitment to families and communities and those in need is enhanced:
  - The unique Handicapped Children's Services Program will receive a 44% increase.
  - Social allowance food rates are increased by 13.5% and foster parents' rates are increased by 4% effective May 1.
  - Over $900 million will be spent on seniors' programs.
  - Funding for women's shelters will increase by 8.5%.
- The operating budget for Hospitals and Medical Care increases by 6.9%. In total, we will spend over $3.3 billion, or $4,000 per household on health care.
- This government's commitment to reduce the deficit in a fair and balanced manner is maintained.

In conclusion, Alberta is on the rebound. The tax reductions will accelerate the economic recovery. Alberta will be one of the fastest growing provinces in 1988.

Albertans are talented, enterprising and determined. Ours is a responsible, caring and supportive government. All of us – individual Albertans, businesses and governments – working together in partnership can realize the exciting opportunities that lie ahead.

Appendix A
General Revenue Fund

Tables and Charts

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General Revenue Fund

The General Revenue Fund is the primary operating account of the province. It receives all public money, except money which is already specially disposed of by legislation or money paid in trust to the province. Expenditure from the General Revenue Fund is used to finance the day-to-day operations and programs of government departments.

The annual budget of the province is concerned primarily with the operations of the General Revenue Fund. The term "budgetary" is used to describe revenue or expenditure that affects the net debt of the General Revenue Fund.

The two major sources of budgetary revenue are general revenue and Heritage Fund investment income. General revenue consists of taxes, non-renewable resource revenue, transfers from the Government of Canada, trading profits, revenue from fees, permits and licences, and miscellaneous revenue. The Heritage Fund investment income category highlights the contribution made to budgetary revenue, since September 1982, by the transfer of all net investment income earned on Heritage Fund assets.

Budgetary expenditure has two major components: voted and statutory. Voted expenditure relates to appropriations made on the authority of annual supply votes approved by the Legislature, including special warrant requests authorized by the Lieutenant Governor in Council. Statutory expenditure refers to appropriations made on the authority of legislation and relates primarily to public debt servicing costs.

Budgetary expenditure is presented in the tables by functional category and by department. The departmental estimates for the current year are further divided into operating and capital expenditure.

Non-budgetary transactions affect the financial assets and liabilities of the General Revenue Fund but, unlike budgetary transactions, do not change the net debt position. They relate primarily to loans and advances to government and private enterprises, the issue and retirement of the province's debt instruments, and the purchase and sale of investments by the General Revenue Fund.

In reviewing the tables, note that the transfer of 15% of non-renewable resource revenue to the Heritage Fund was suspended effective April 1, 1987.

General Revenue Fund

TABLE A1

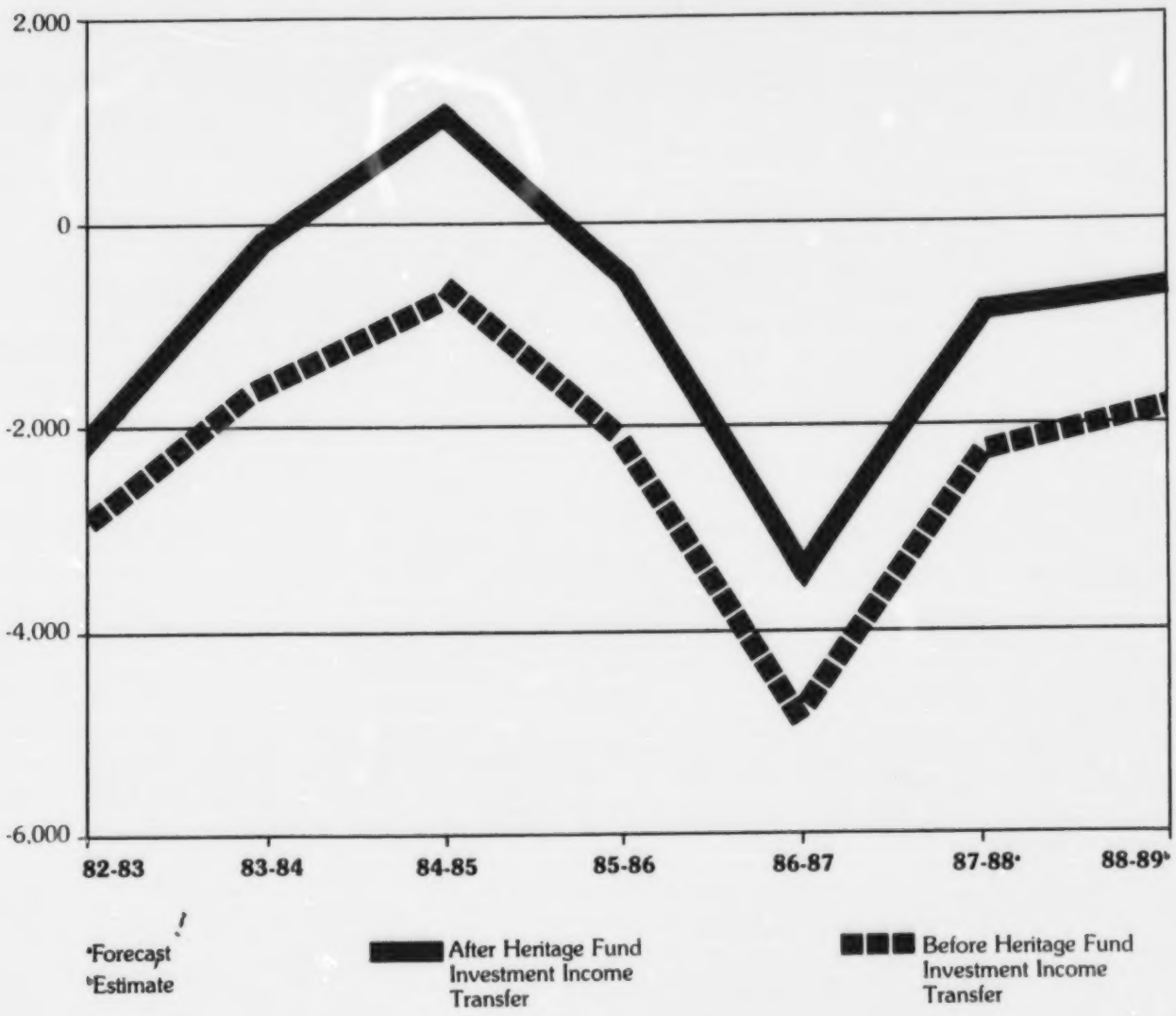
Budgetary Revenue and Expenditure

(thousands of dollars)

	1988-89 Estimate	1987-88 Forecast	1987-88 Estimate	1986-87 Actual
Revenue				
General Revenue				
Taxes	3,498,000	3,372,000	3,340,000	2,351,252
Non-Renewable Resource Revenue	2,782,000	2,482,000	1,740,000	1,385,746
Payments from Government of Canada	1,494,000	1,437,000	1,470,000	1,234,194
Trading Profits	365,000	393,000	360,000	327,197
Fees, Permits and Licences	274,000	246,000	237,000	183,178
Other Revenue	161,000	184,000	180,000	241,796
	8,574,000	8,114,000	7,327,000	5,723,363
Heritage Fund Investment Income	1,245,000	1,360,000	1,300,000	1,444,906
	9,819,000	9,474,000	8,627,000	7,168,269
Expenditure				
Health	2,765,983	2,571,154	2,602,912	2,606,552
Education	2,422,668	2,453,919	2,398,420	2,469,388
Social Services	1,358,996	1,328,651	1,361,664	1,268,369
Resource Conservation and Economic Development	878,853	943,699	869,352	1,069,373
Transportation and Utilities	774,768	859,764	826,706	953,287
Protection of Persons and Property	411,325	464,875	407,652	436,269
Regional Planning and Development	209,821	290,171	288,122	288,843
Housing	230,254	281,764	287,588	241,597
Recreation and Culture	156,308	168,798	171,945	195,775
Environment	113,709	107,079	103,705	130,096
General Government	707,139	673,545	698,047	764,217
Debt Servicing Costs	460,000	400,000	400,000	184,912
Allowance for Unexpended Balances	—	(176,516)	—	—
	10,489,824	10,366,903	10,416,113	10,608,678
Budgetary Deficit	670,824	892,903	1,789,113	3,440,409

Budgetary Surplus/Deficit
(millions of dollars)

CHART A1



General Revenue Fund

Budgetary Revenue

(thousands of dollars)

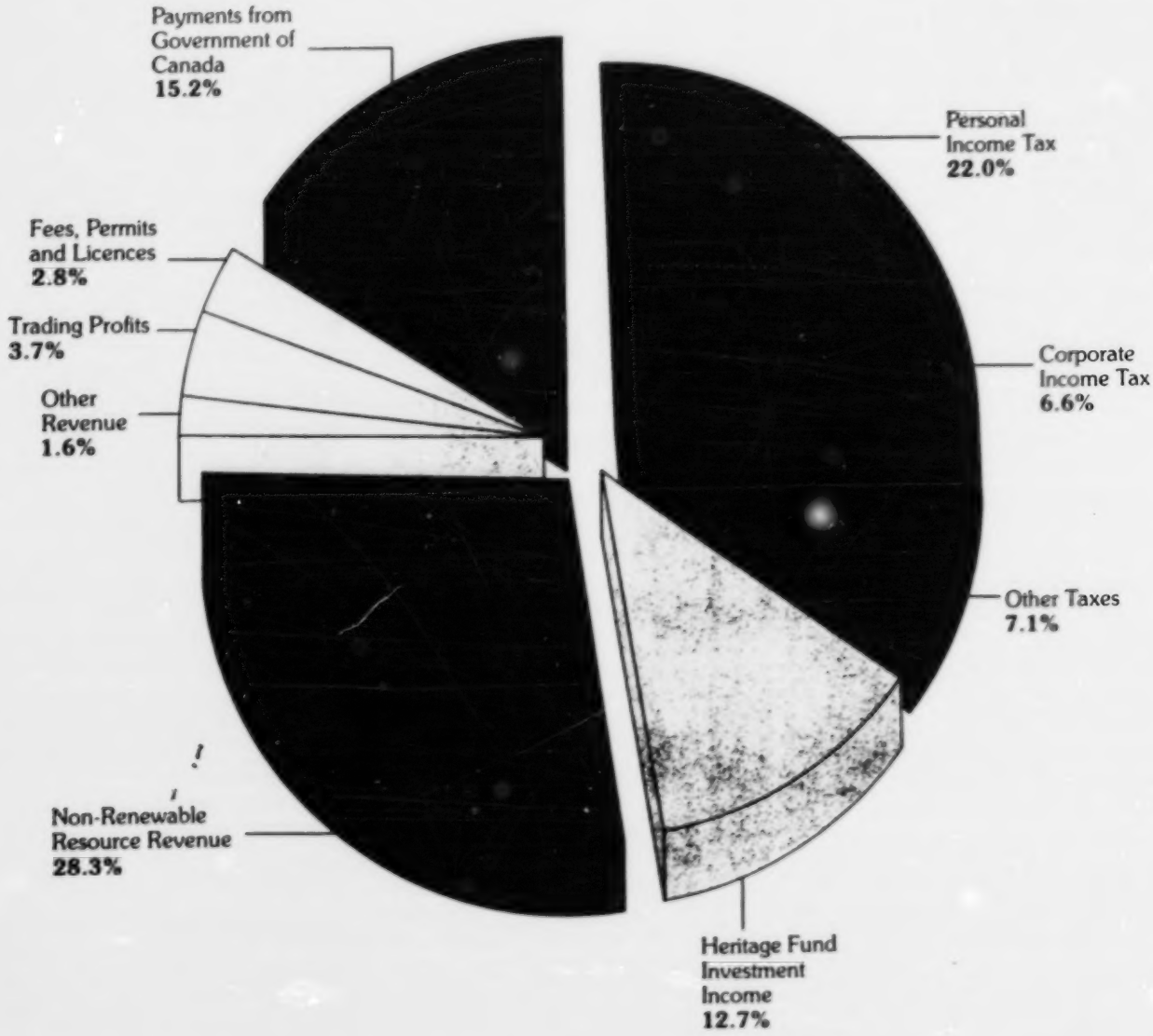
TABLE A2

	1988-89 Estimate	1987-88 Forecast	1987-88 Estimate	1986-87 Actual
Taxes				
Personal income tax	2,155,000	2,229,000	2,150,000	1,768,092
Corporate income tax	650,000	505,000	560,000	321,483
Fuel tax	283,000	236,000	236,000	5,383
Tobacco tax	214,000	213,000	213,000	109,941
Freehold mineral rights tax	121,000	118,000	116,000	96,292
Insurance corporations tax	48,000	47,000	47,000	39,534
Hotel room tax	18,000	15,000	9,000	—
Other taxes	9,000	9,000	9,000	10,527
	3,498,000	3,372,000	3,340,000	2,351,252
Non-Renewable Resource Revenue				
Crude oil royalty	1,160,000	1,287,000	977,000	996,710
Natural gas and by products royalty	1,138,000	1,024,000	1,007,000	1,097,180
Synthetic crude oil and bitumen royalty	36,000	33,000	22,000	11,960
Coal royalty	8,000	8,000	9,000	7,107
Rentals and fees	76,000	79,000	96,000	81,220
Bonuses and sales of Crown leases	750,000	770,000	300,000	291,948
Less: Drilling, well servicing and geophysical incentives	(2,000)	(215,000)	(205,000)	(169,157)
Allocation to Alberta Petroleum Incentives Program Fund	—	(53,000)	(43,000)	(231,140)
Royalty tax credit	(380,000)	(436,000)	(419,000)	(425,126)
	2,786,000	2,497,000	1,744,000	1,669,702
Allocation to Alberta Heritage Savings Trust Fund	—	—	—	(218,148)
Allocation to Natural Gas Rebates Fund	(4,000)	(15,000)	(4,000)	(56,808)
	2,782,000	2,482,000	1,740,000	1,385,746
Payments from Government of Canada				
Canada assistance plan	435,000	443,000	460,000	416,712
Hospital insurance	491,000	442,000	434,000	349,345
Post-secondary education	283,000	250,000	250,000	200,207
Extended health care	118,000	112,000	112,000	106,308
Training of manpower	27,000	34,000	34,000	41,919
Other	140,000	156,000	180,000	119,703
	1,494,000	1,437,000	1,470,000	1,234,194
Trading Profits				
Alberta Liquor Control Board	350,000	365,000	350,000	311,000
Other	15,000	28,000	10,000	16,197
	365,000	393,000	360,000	327,197
Fees, Permits and Licences				
Motor vehicle licences	113,000	111,000	108,000	81,818
Other	161,000	135,000	129,000	101,360
	274,000	246,000	237,000	183,178
Other Revenue				
Investment income	40,000	40,000	27,000	96,318
Refunds of expenditure	58,000	58,000	69,000	58,836
Miscellaneous	63,000	86,000	84,000	86,642
	161,000	184,000	180,000	241,796
Total General Revenue	8,574,000	8,114,000	7,327,000	5,723,363
Heritage Fund Investment Income	1,245,000	1,360,000	1,300,000	1,444,906
Total Budgetary Revenue	9,819,000	9,474,000	8,627,000	7,168,269

Budgetary Revenue
By Major Source, 1988-89 Estimate

CHART A2

Total Budgetary Revenue — **$9,819 million**



General Revenue Fund

TABLE A3

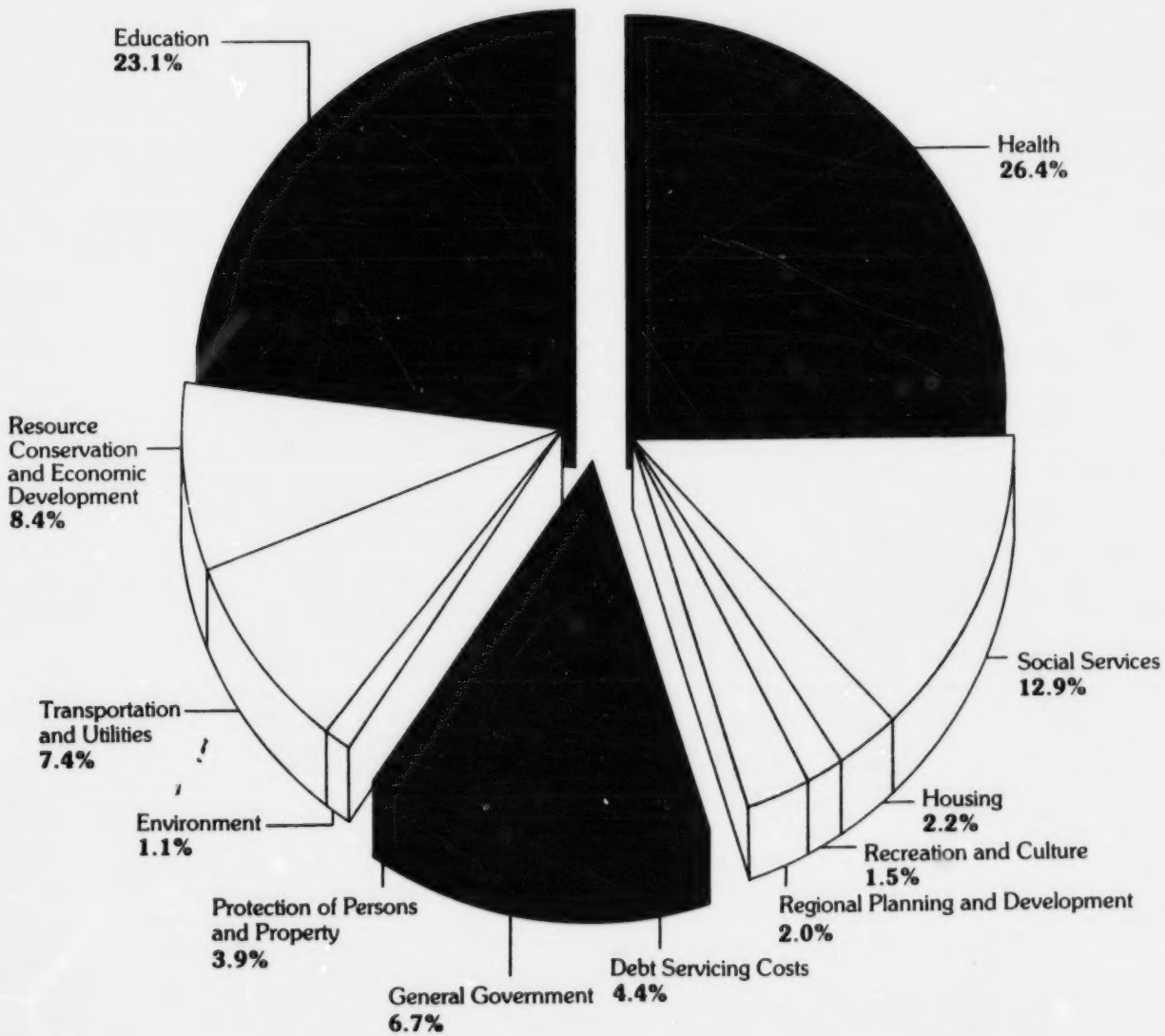
Budgetary Expenditure

(thousands of dollars)

	1988-89 Estimate	1987-88 Forecast	1987-88 Estimate	1986-87 Actual
Legislative Assembly	31,379	27,587	27,894	29,510
Government				
Advanced Education	915,819	946,979	898,734	941,951
Agriculture	284,703	279,890	261,850	403,210
Attorney General	135,454	133,835	133,804	139,095
Career Development and Employment	206,285	224,685	216,330	213,865
Community and Occupational Health	312,839	307,712	311,154	314,477
Consumer and Corporate Affairs	16,173	14,083	15,133	16,041
Culture and Multiculturalism	46,917	49,139	49,902	56,392
Revolving Fund	(22)	(115)	(10)	25
Economic Development and Trade	51,270	65,416	53,310	61,925
Education	1,287,456	1,269,250	1,271,475	1,298,501
Revolving Fund	248	787	303	1,749
Energy	84,725	83,786	83,262	108,688
Environment	114,133	106,797	103,423	130,129
Water Resources Revolving Fund	(424)	282	282	(33)
Executive Council	54,433	109,424	49,421	68,821
Federal and Intergovernmental Affairs	9,227	7,647	7,300	8,102
Forestry, Lands and Wildlife	156,134	176,211	159,016	183,848
Revolving Fund	15	(109)	(109)	(155)
Hospitals and Medical Care	2,467,074	2,278,977	2,308,977	2,308,985
Labour	35,760	35,115	36,866	37,929
Personnel Administration Revolving Fund	4	90	90	(30)
Municipal Affairs	615,147	658,287	659,038	618,118
Public Works, Supply and Services	486,405	437,330	487,891	535,132
Revolving Fund	9,154	680	684	11,813
Recreation and Parks	99,423	109,937	111,576	129,006
Revolving Fund	3	1	1	50
Social Services	1,223,667	1,200,883	1,239,365	1,142,949
Solicitor General	240,893	238,308	239,292	241,228
Technology, Research and Telecommunications	62,968	69,455	59,855	60,894
Tourism	33,504	35,012	34,870	24,780
Transportation and Utilities	833,073	907,926	872,036	997,929
Revolving Fund	(2,302)	(9,245)	(7,110)	7,003
Gas Alberta Operating Fund	—	1,083	1,780	(385)
Treasury	148,591	213,057	171,274	201,207
Debt Servicing Costs [1]	460,000	400,000	400,000	184,912
Other Statutory Appropriations	69,696	163,237	157,154	131,017
Allowance for Unexpended Balances	—	(176,516)	—	—
	10,458,445	10,339,316	10,388,219	10,579,168
Total	10,489,824	10,366,903	10,416,113	10,608,678
Summary				
Voted Appropriations	9,953,452	9,810,212	9,863,048	10,272,712
Statutory Appropriations	536,372	556,691	553,065	335,966
	10,489,824	10,366,903	10,416,113	10,608,678

Budgetary Expenditure
By Major Function, 1988-89 Estimate **CHART A3**

Total Budgetary Expenditure — **$10,490 million**



General Revenue Fund

TABLE A4

Operating and Capital Expenditure

(thousands of dollars)

	1988-89 Estimate		
	Operating	**Capital**	**Total**
Legislative Assembly	30,997	382	31,379
Government			
Advanced Education	867,802	48,017	915,819
Agriculture	266,544	18,159	284,703
Attorney General	132,625	2,829	135,454
Career Development and Employment	205,468	817	206,285
Community and Occupational Health	311,987	852	312,839
Consumer and Corporate Affairs	16,054	119	16,173
Culture and Multiculturalism	45,744	1,173	46,917
Revolving Fund	(22)	—	(22)
Economic Development and Trade	49,844	1,426	51,270
Education	1,221,142	66,314	1,287,456
Revolving Fund	120	128	248
Energy	84,055	670	84,725
Environment	82,644	31,489	114,133
Water Resources Revolving Fund	(535)	111	(424)
Executive Council	54,088	345	54,433
Federal and Intergovernmental Affairs	9,147	80	9,227
Forestry, Lands and Wildlife	150,632	5,502	156,134
Revolving Fund	(86)	101	15
Hospitals and Medical Care	2,411,862	55,212	2,467,074
Labour	35,306	454	35,760
Personnel Administration Revolving Fund	1	3	4
Municipal Affairs	602,192	12,955	615,147
Public Works, Supply and Services	308,157	178,248	486,405
Revolving Fund	(16,021)	25,175	9,154
Recreation and Parks	63,993	35,430	99,423
Revolving Fund	3	—	3
Social Services	1,218,445	5,222	1,223,667
Solicitor General	239,332	1,561	240,893
Technology, Research and Telecommunications	55,597	7,371	62,968
Tourism	25,864	7,640	33,504
Transportation and Utilities	193,306	639,767	833,073
Revolving Fund	(13,802)	11,500	(2,302)
Treasury	148,095	496	148,591
Debt Servicing Costs	460,000	—	460,000
Other Statutory Appropriations	104,194	(34,498)	69,696
	9,333,777	1,124,668	10,458,445
Total	9,364,774	1,125,050	10,489,824
Summary			
Voted Appropriations	8,830,922	1,122,530	9,953,452
Statutory Appropriations	533,852	2,520	536,372
	9,364,774	1,125,050	10,489,824

General Revenue Fund

TABLE A5

Deductions from Income Tax Revenue

(thousands of dollars)

	1988-89 Estimate	1987-88 Forecast	1987-88 Estimate	1986-87 Actual
Personal Income Tax				
Renter assistance credit	—	90,000	90,000	91,826
Alberta Stock Savings Plan	5,000	4,300	10,000	—
	5,000	94,300	100,000	91,826
Corporate Income Tax				
Allocation to Utility Companies Income Tax Rebates Fund	93,832	91,549	70,900	75,026
Rental investment credit	200	160	500	282
	94,032	91,709	71,400	75,308
Total	99,032	186,009	171,400	167,134

General Revenue Fund

TABLE A6

Non-Budgetary Transactions*

(thousands of dollars)

	1988-89 Estimate	1987-88 Forecast	1987-88 Estimate	1986-87 Actual
Receipts				
Repayment of loans and advances				
Government enterprises	68,420	73,120	66,920	223,467
Other	26,793	16,786	39,083	41,408
	95,213	89,906	106,003	264,875
Disbursements				
Loans and advances				
Government enterprises	76,200	75,900	76,900	80,232
Other	113,300	92,100	133,400	94,092
Long-term investments	20,850	33,227	24,167	45,759
	210,350	201,227	234,467	220,083
Net Receipts (Disbursements)	(115,137)	(111,321)	(128,464)	44,792

* Excludes debt transactions.

General Revenue Fund **TABLE A7**

Unmatured Debt

(thousands of dollars)

Changes in Unmatured Debt		
Unmatured Debt at March 31, 1987		3,232,429
Add:		
Issue of:		
Canadian dollar promissory notes (net)	721,696	
United States dollar promissory notes (net)	18,200	
Alberta Capital Bonds	394,524	
United States dollar 7-year notes	259,586	
Amortization of discount and other non-cash items	87,519	
	1,481,525	
Deduct:		
Redemption of Alberta Capital Bonds	150,564	
Sinking fund earnings	14,055	
Sinking fund contribution	3,834	
	168,453	
		1,313,072
Unmatured Debt at December 31, 1987		4,545,501
Composition of Unmatured Debt		
Short-Term Debt		
Treasury bills		650,000
United States dollar promissory notes		401,314
Canadian dollar promissory notes		
Held by Heritage Fund		705,000
Other		542,200
		2,298,514
Medium and Long-Term Debt		
Denominated in Canadian dollars		
Debentures (net)		737,568
Alberta Capital Bonds		247,838
Denominated in United States dollars		
Floating rate notes		649,900
5-year fixed rate notes		341,578
Debentures (net)		3,894
7-year fixed rate notes		259,960
		2,240,738
Deferred unrealized exchange gains less unamortized discount		6,249
Unmatured Debt at December 31, 1987		4,545,501

General Revenue Fund

TABLE A8

Guarantees[a]

(thousands of dollars)

	At December 31	At March 31[b]	
	1987	1987	1986
Guaranteed Debenture Debt			
AEC Power Limited	224,497	237,584	210,139
Vencap Equities Alberta Ltd.	40,000	40,000	40,000
	264,497	277,584	250,139
Guaranteed Loans			
Farm Credit Stability Fund Act	375,455	93,164	—
Small Business Term Assistance Fund Act	174,041	79,319	—
Students Loan Guarantee Act	108,843	104,563	98,329
354713 Alberta Ltd.	89,183	87,292	—
Agricultural Societies Act	36,588	38,360	40,531
Other	146,404	55,617	78,124
	930,514	458,315	216,984
Total	1,195,011	735,899	467,123

[a] Excludes guaranteed liabilities of government entities.

[b] Readers should refer to the Public Accounts of Alberta for additional details.

Tables and Charts

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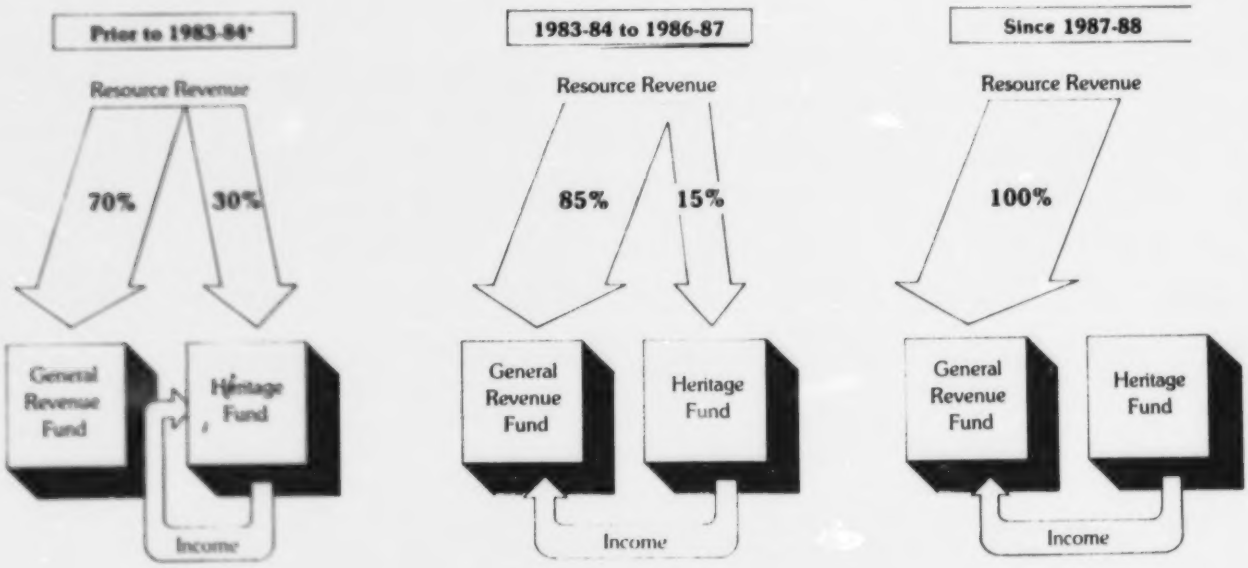
Alberta Heritage Savings Trust Fund

In 1988-89, as in the previous year, the Alberta Heritage Savings Trust Fund will not receive any portion of the province's non-renewable resource revenue. All non-renewable resource revenues will be retained in the General Revenue Fund to help reduce the budgetary deficit.

Prior to September 1982, all the investment earnings of the Heritage Fund, amounting to $3.3 billion, were retained and reinvested in the Fund. Since then, all of the net investment income earned by the Heritage Fund, amounting to $8.4 billion, has been transferred to the General Revenue Fund to help meet budgetary needs. The Heritage Fund's net income is estimated at $1,245 million in 1988-89.

Capital Projects Division estimates total $164 million in 1988-89 and will support 13 capital projects. These projects include the development of irrigation in southern Alberta, the provision of individual telephone line service to rural Albertans, parks, land reclamation, health care facilities, and research in areas such as agriculture, occupational health and safety, oil sands development and cancer treatment.

How the Heritage Fund Works **CHART B1**



*The use of Heritage Fund investment income by the General Revenue Fund started in September 1982.

Alberta Heritage Savings Trust Fund

TABLE B1

Sources and Applications of Funds

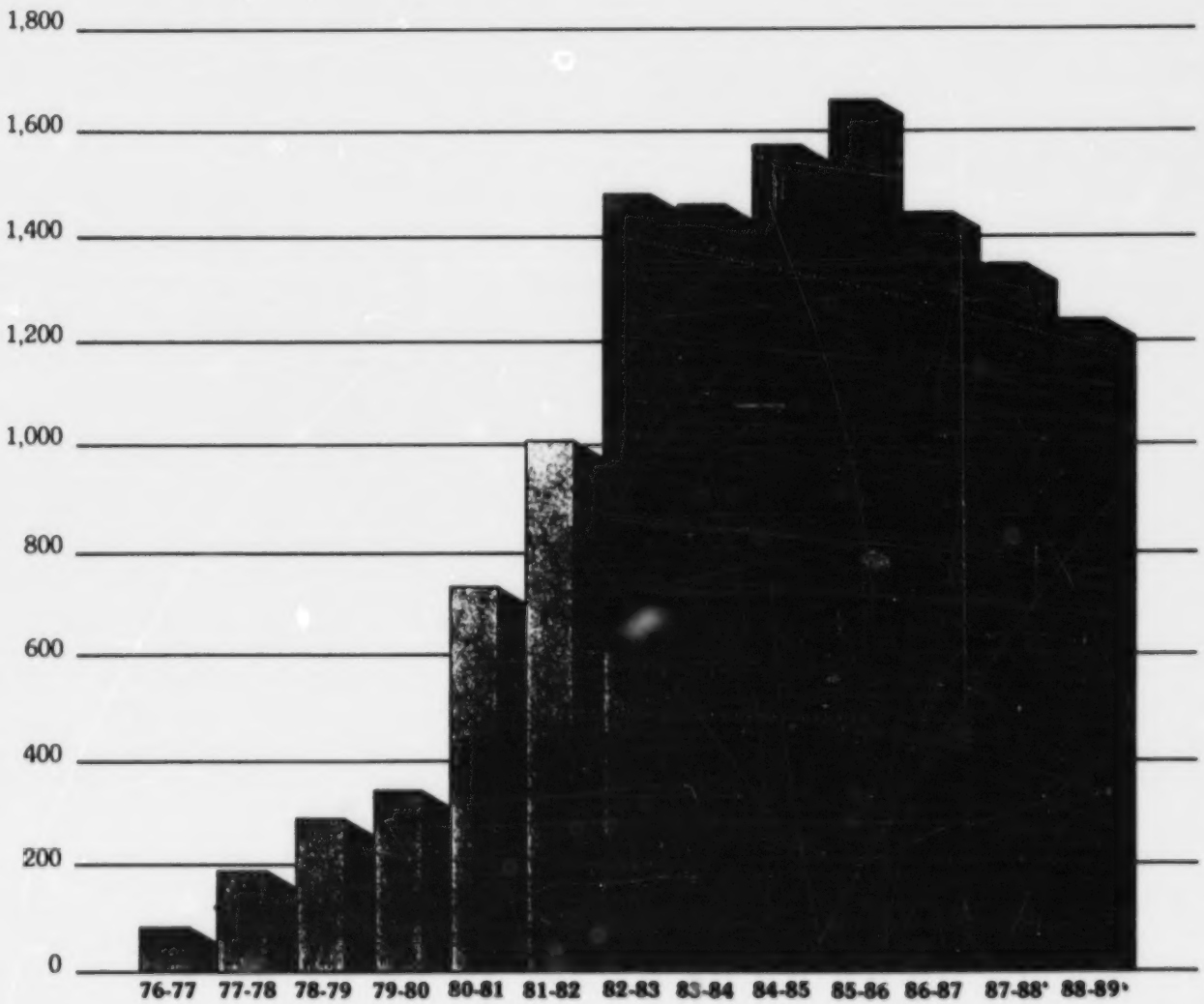
(thousands of dollars)

	1988-89 Estimate	1987-88 Forecast	1987-88 Estimate	1986-87 Actual
Sources of Funds				
Repayments, Maturities and Disposals*				
Alberta Investment Division	455,600	997,900	913,100	610,202
Canada Investment Division	83,300	389,300	389,300	8,300
Energy Investment and Capital Projects Divisions	3,800	5,000	5,000	7,501
	542,700	1,392,200	1,307,400	626,003
Non-Renewable Resource Revenue Transfer	—	—	—	216,391
Net Investment Income	1,245,000	1,360,000	1,300,000	1,445,944
Transfer of Net Income to General Revenue Fund	(1,245,000)	(1,360,000)	(1,300,000)	(1,444,906)
Provision for Non-Cash Items and Administrative Expenses	14,100	(3,300)	48,000	152,875
	556,800	1,388,900	1,355,400	996,307
Applications of Funds				
Capital Projects Division	164,460	134,047	140,363	226,806
Alberta Investment Division				
Alberta Agricultural Development Corporation	46,000	41,000	75,000	—
Alberta Mortgage and Housing Corporation	188,000	154,000	200,000	188,000
Alberta Opportunity Company	112,000	53,000	63,000	33,000
Total Provincial Corporations	346,000	248,000	338,000	221,000
Syncrude	15,700	20,000	21,600	24,721
Alberta Small Business Term Assistance Plan	—	200,000	—	—
Alberta Energy Company	—	—	—	31,638
Millar Western Pulp Ltd.	69,000	51,000	90,000	—
NOVA Corporation of Alberta	—	150,000	—	—
	430,700	669,000	449,600	277,359
Commercial Investment Division	29,600	27,900	27,200	15,480
Increase (Decrease) in Cash and Marketable Securities at Cost	(67,960)	557,953	738,237	476,662
	556,800	1,388,900	1,355,400	996,307

* Excludes Marketable Securities

Alberta Heritage Savings Trust Fund Net Income
(millions of dollars)

CHART B2



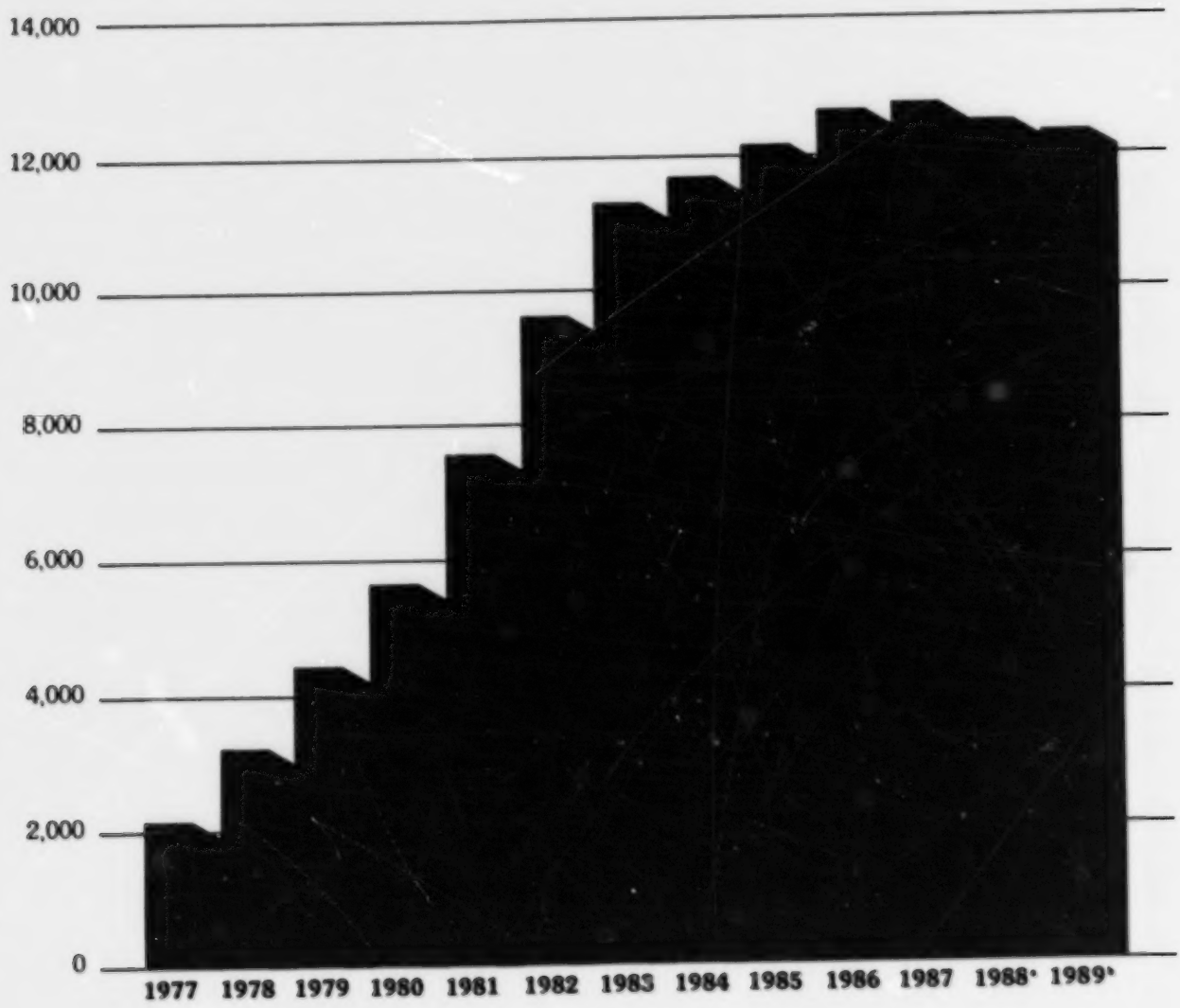
*Forecast
*Estimate

Income Retained in the Heritage Fund (Total = $3,266 million)

Income Transferred to the General Revenue Fund (Total since 1982-83 = $9,627 million)

Alberta Heritage Savings Trust Fund Financial Assets
(millions of dollars)

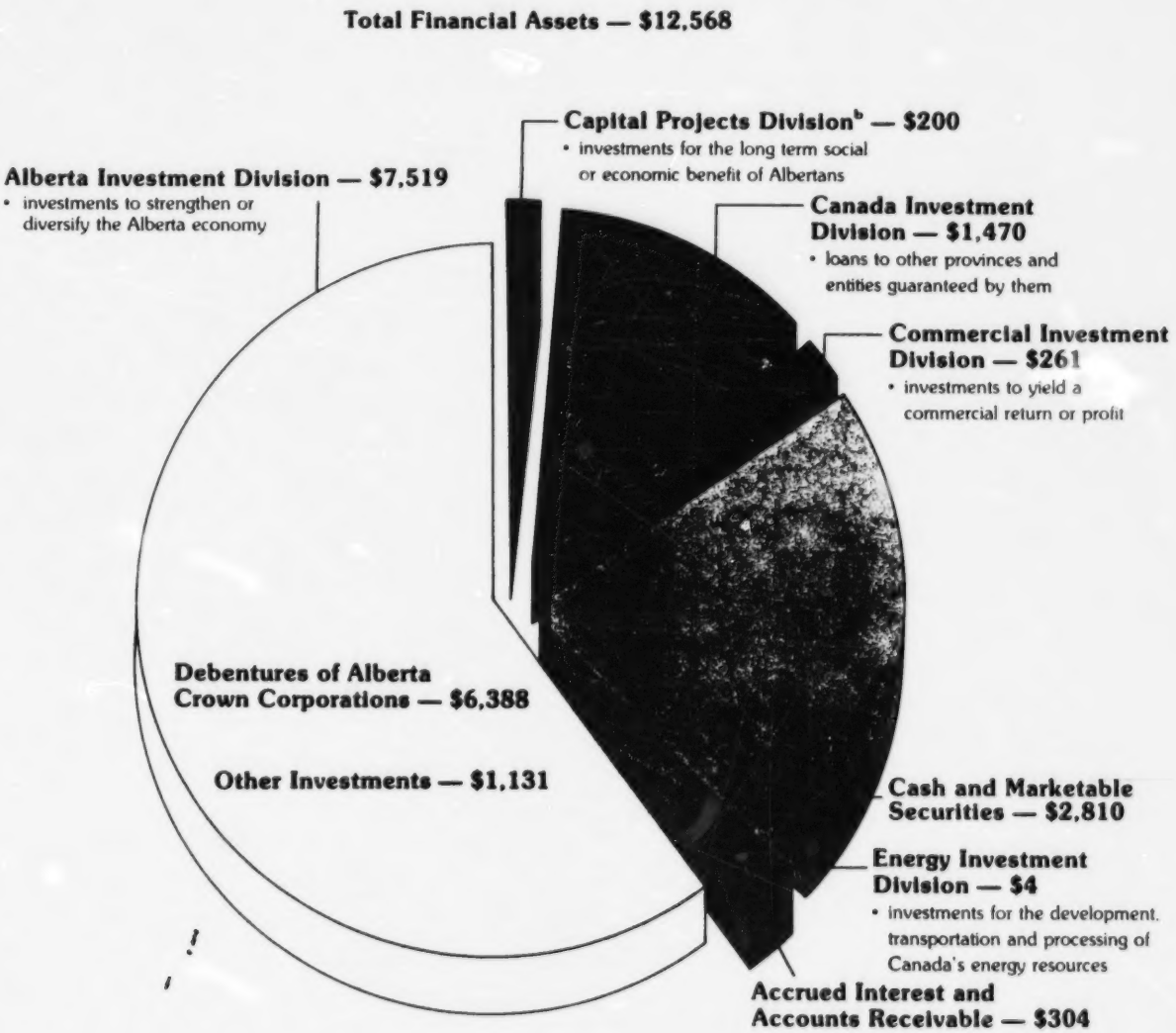
CHART B3



*Forecast
*Estimate

Years ending March 31

Composition of Alberta Heritage Savings Trust Fund Financial Assets at March 31, 1988[a] (millions of dollars) **CHART B4**


Total Financial Assets — $12,568
Capital Projects Division[b] — $200
• investments for the long term social or economic benefit of Albertans
Alberta Investment Division — $7,519
• investments to strengthen or diversify the Alberta economy
Canada Investment Division — $1,470
• loans to other provinces and entities guaranteed by them
Commercial Investment Division — $261
• investments to yield a commercial return or profit
Debentures of Alberta Crown Corporations — $6,388
Other Investments — $1,131
Cash and Marketable Securities — $2,810
Energy Investment Division — $4
• investments for the development, transportation and processing of Canada's energy resources
Accrued Interest and Accounts Receivable — $304

[a] Forecast

[b] Total forecast investment under the Capital Projects Division amounts to $2,963 million, of which $2,763 million are deemed assets.

Appendix C
Other Major Regulated Funds

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C1 Alberta Capital Fund, Sources and Applications of Funds 51
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Other Major Regulated Funds

This appendix provides information on the Alberta Capital Fund and the funds established for the operation of the Alberta Farm Credit Stability Program and the Alberta Small Business Term Assistance Plan.

Alberta Capital Fund

The Alberta Capital Fund was established by the Financial Administration Amendment Act, 1986 to enable the province to pay the construction costs of major public facilities over a period of years. The Capital Fund borrows the amount required to finance approved construction projects and receives annual departmental appropriations from the General Revenue Fund calculated to fund projects over their useful lives. The interest costs of the borrowings are included in Treasury's statutory appropriation for debt servicing costs.

The 1987-88 Capital Fund estimate of $317 million is expected to be underspent by approximately $83 million as a result of project rescheduling and cost savings. At December 31, 1987, the Capital Fund had unmatured debt of $496 million, all owed to the holders of Alberta Capital Bonds.

In 1988-89, the Capital Fund will spend an estimated $308 million on hospitals, nursing homes, post-secondary education facilities and the Oldman River Dam. Details of the projects to be funded can be found in the "1988-89 Capital Fund Estimates" and the "1988-89 Government Estimates and Capital Fund Estimates, Supplementary Information-Element Details".

Alberta Capital Fund

Sources and Applications of Funds

(thousands of dollars)

TABLE C1

	1988-89 Estimate	1987-88 Forecast	1987-88 Estimate	1986-87 Actual
Sources of Funds				
Grants from the General Revenue Fund				
Voted Appropriations for Debt Repayment	37,703	23,302	27,843	11,975
Statutory Appropriation for Debt Servicing Costs	55,300	31,700	36,000	5,649
Increase (Decrease) in Debt	225,440	256,100	289,565	240,297
	318,443	311,102	353,408	257,921
Applications of Funds				
Capital Expenditure				
Post-Secondary Education Facilities	82,986	41,675	45,340	30,718
Oldman River Dam	66,300	29,400	36,800	—*
Hospitals and Nursing Homes	158,816	163,368	235,268	237,660
	308,102	234,443	317,408	268,378
Debt Servicing Costs	55,300	31,700	36,000	5,649
Increase (Decrease) in Financial Assets	(44,959)	44,959	—	(16,106)
	318,443	311,102	353,408	257,921

* $20.7 million was expended from the General Revenue Fund in 1986-87.

Alberta Capital Fund

TABLE C2

Unmatured Debt
(thousands of dollars)

Changes in Unmatured Debt		
Unmatured Debt at March 31, 1987		240,297
Add:		
Issue of Alberta Capital Bonds	495,132	
Amortization of discount	4,397	
	499,529	
Deduct:		
Redemption of promissory notes (net)	243,762	
		255,767
Unmatured Debt at December 31, 1987		496,064
Composition of Unmatured Debt		
Alberta Capital Bonds		496,064
Unmatured Debt at December 31, 1987		496,064

Alberta Farm Credit Stability Program

The Alberta Farm Credit Stability Program was established in 1986 to facilitate the provision of long-term fixed rate financing to Alberta farmers. The province is supporting up to $2 billion of farm financing at a fixed 9% annual rate of interest for a maximum of 20 years. Loans are available for up to $200,000 per farm family and $600,000 per farm business for refinancing existing debt and making new purchases. The average size of farm loans has been about $100,000 with 78% of loans taken for a term of 20 years. 84% of loans have been used to refinance existing loans and the remainder, 16%, to make new purchases. Loan advances to farmers are estimated to reach $1.5 billion by March 31, 1988, and $1.7 billion by the end of 1988-89.

The province maintains deposits with participating chartered banks, credit unions and Treasury Branches equal to the amount of program loans they have outstanding. During 1987-88, the proceeds from a 10-year 400 million Swiss Franc (Canadian $373 million) issue and one-half of the proceeds from a 7-year US$400 million (Canadian $519 million) issue were used to finance these deposits. At the end of December 1987, 76% of the financing for the Farm Credit Stability Program was medium to long term and the remaining 24% was in the form of short-term promissory notes.

The statutory appropriation from the General Revenue Fund to cover the payments made to the lending institutions for their administrative costs and the difference between interest paid on borrowed funds and that earned on deposits of the Farm Credit Stability Program in 1988-89 is estimated at $28 million.

Farm Credit Stability Fund **TABLE C3**

Sources and Applications of Funds

(thousands of dollars)

	1988-89 Estimate	1987-88 Forecast	1987-88 Estimate	1986-87 Actual
Sources of Funds				
Statutory Appropriation from the General Revenue Fund	28,000	28,000	35,000	14,020
Increase (Decrease) in Debt	120,000	225,000	837,000	1,120,022
	148,000	253,000	872,000	1,134,042
Applications of Funds				
Operating Deficit before Statutory Appropriation	28,000	28,000	35,000	14,020
Deposits with Financial Institutions (net)	120,000	225,000	830,000	1,122,373
Increase (Decrease) in Other Financial Assets	—	—	7,000	(2,351)
	148,000	253,000	872,000	1,134,042

Farm Credit Stability Fund **TABLE C4**

Unmatured Debt

(thousands of dollars)

Changes in Unmatured Debt		
Unmatured Debt at March 31, 1987		1,141,859
Add:		
Issue of:		
Swiss franc bonds	373,343	
U.S. dollar 7-year notes	259,586	
Amortization of discount and other non-cash items	52,735	
	685,664	
Deduct:		
Redemption of short-term promissory notes (net) held by Heritage Fund (Cash and Marketable Securities)	452,532	
		233,132
Unmatured Debt at December 31, 1987		1,374,991
Composition of Unmatured Debt		
Promissory notes issued to Heritage Fund (Cash and Marketable Securities)		333,340
Swiss franc bonds		400,168
U.S. dollar 5-year fixed rate notes		408,628
U.S. dollar 7-year fixed rate notes		257,988
Deferred unrealized exchange losses		(25,133)
Unmatured Debt at December 31, 1987		1,374,991

Alberta Small Business Term Assistance Plan

The Alberta Small Business Term Assistance Plan was established in 1986 to make fixed rate financing available to Alberta small businesses. Small business loans have a fixed 9% annual rate of interest and a maximum term of 10 years. Loans were available for up to $150,000 per small business for refinancing existing debt, making new purchases and extending lines of credit. Average loan size was about $80,000 with 36% of loans taken for 3 to 6 years and 58% for 10 years. 72% of loans have been used to refinance existing debt and the remainder has been for new purchases and extensions to lines of credit.

The province maintains deposits with participating financial institutions equal to the amount of program loans they have outstanding. About 90% of the loans outstanding have been financed with medium-term borrowing, including $200 million financed from the Alberta Heritage Savings Trust Fund in the form of one to three year notes.

The statutory appropriation from the General Revenue Fund to cover the payments made to the lending institutions for their administrative costs and the difference between interest paid on borrowed funds and that earned on deposits of the Small Business Term Assistance Plan in 1988-89 is estimated at $12 million.

TABLE C5

Small Business Term Assistance Fund
Sources and Applications of Funds
(thousands of dollars)

	1988-89 Estimate	1987-88 Forecast	1987-88 Estimate	1986-87 Actual
Sources of Funds				
Statutory Appropriation from the General Revenue Fund	12,000	12,000	17,000	4,735
Increase (Decrease) in Debt	(120,000)	(20,000)	205,000	499,767
	(108,000)	(8,000)	222,000	504,502
Applications of Funds				
Operating Deficit before Statutory Appropriation	12,000	12,000	17,000	4,735
Deposits with Financial Institutions (net)	(120,000)	(20,000)	200,000	500,792
Increase (Decrease) in Other Financial Assets	—	—	5,000	(1,025)
	(108,000)	(8,000)	222,000	504,502

Small Business Term Assistance Fund **TABLE C6**

Unmatured Debt

(thousands of dollars)

Changes in Unmatured Debt		
Unmatured Debt at March 31, 1987		504,708
Add:		
Issue of promissory notes to Heritage Fund (Alberta Investment Division)	200,000	
Amortization of discount	14,808	
	214,808	
Deduct:		
Redemption of short-term promissory notes (net) held by Heritage Fund (Cash and Marketable Securities)	193,090	
		21,718
Unmatured Debt at December 31, 1987		526,426
Composition of Unmatured Debt		
Promissory notes issued to Heritage Fund (Cash and Marketable Securities)		54,008
Promissory notes issued to Heritage Fund (Alberta Investment Division)		200,000
U.S. dollar 5-year fixed rate notes		272,418
Unmatured Debt at December 31, 1987		526,426

Appendix D
Provincial Crown Corporations

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D2 Alberta Agricultural Development Corporation 61
D3 Alberta Mortgage and Housing Corporation 63
D4 Alberta Opportunity Company 65
D5 Alberta Municipal Financing Corporation 67

Provincial Crown Corporations

The 1988-89 capital budgets and financing requirements of the following four major provincial Crown corporations are contained in this appendix: Alberta Agricultural Development Corporation, Alberta Mortgage and Housing Corporation, Alberta Opportunity Company and Alberta Municipal Financing Corporation.

To carry out their capital programs, approval of the Legislative Assembly will be sought to allow the Alberta Heritage Savings Trust Fund to invest in debt securities to be issued by the Alberta Agricultural Development Corporation, the Alberta Mortgage and Housing Corporation and the Alberta Opportunity Company. These corporations have borrowed from the Heritage Fund at prevailing market rates of interest in previous years.

These three corporations provide loans and other programs to their clients. Loans may be made at rates which are below the corporations' cost of funds in order to meet government objectives. The clients are responsible for payment of interest and principal on these loans.

The General Revenue Fund pays the costs associated with the programs offered by these Crown corporations. These costs include administrative costs, interest rate subsidy and incentive costs, and the cost of losses on loans. Details of the support provided by the General Revenue Fund can be found in the "1988-89 Government Estimates".

In the 1988 calendar year, the Alberta Municipal Financing Corporation is expected to continue to meet its external capital financing requirements by borrowing from the Canada Pension Plan Investment Fund. Alberta Government Telephones will continue to meet its capital financing requirements from market sources.

Heritage Fund Investment in Provincial Crown Corporations **TABLE D1**
(thousands of dollars)

	Balance at March 31, 1989 Estimate	Investments Estimate	Repayments Estimate	Balance at March 31, 1988 Forecast
Alberta Agricultural Development Corporation	1,017,748	46,000	45,152	1,016,900
Alberta Mortgage and Housing Corporation	3,237,800	188,000	228,000	3,277,800
Alberta Opportunity Company	194,800	112,000	87,000	169,800
Alberta Municipal Financing Corporation	780,000	—	45,000	825,000
Alberta Government Telephones Commission	1,098,600	—	—	1,098,600
Total	6,328,948	346,000	405,152	6,388,100

Alberta Agricultural Development Corporation

The Alberta Agricultural Development Corporation provides loans, loan guarantees and financial counselling to Alberta farmers and agribusinesses. The corporation's programs are designed to foster the establishment, maintenance and productivity of family farms, and to encourage local processing of the province's agricultural products.

During 1988-89, the corporation estimates that it will extend $47 million in direct loans to agricultural producers and agribusinesses. Direct loans are made at preferred rates of interest and some borrowers are eligible for incentive rebates of part of their interest costs.

The corporation's largest program is the Beginning Farmer Program, which makes loans and incentive rebates to individuals whose farms are in an early stage of development. Loans under this program are expected to total $45 million in 1988-89. Other direct farm and agribusiness loans are estimated to amount to over $2 million. Also, the corporation estimates that it will provide $73 million in loan guarantees to farmers and agribusinesses. To finance these activities, the Legislative Assembly will be requested to approve the investment by the Alberta Heritage Savings Trust Fund of up to $46 million in debentures of the corporation in 1988-89.

In order to provide incentive rebates and interest shielding to its borrowers and to cover operating expenses and loan losses in 1988-89, the corporation will receive a budgetary appropriation of $71.1 million through the Department of Agriculture.

Alberta Agricultural Development Corporation

TABLE D2

(thousands of dollars)

	1988-89 Estimate	1987-88 Forecast
Programs		
Direct Lending		
Beginning Farmer Loans	44,900	40,000
Developing Farmer Loans	1,800	2,500
Agribusiness Loans	500	500
	47,200	43,000
Loan Guarantees		
General Guarantee Agreements		
Alberta Farm Development Loans	65,000	67,000
Farm Development Loans	3,000	3,000
Specific Guarantee Agreements		
Farm Loans	2,000	1,000
Agribusiness Loans	3,000	1,000
	73,000	72,000
Total Programs	120,200	115,000
Financing		
Sources of Funds		
Interest Payments on Loans	82,900	92,900
Grant from General Revenue Fund	71,052	55,807
Principal Repayments on Loans	20,500	22,300
Property Sales	10,000	6,900
Debenture Borrowing from Heritage Fund	46,000	41,000
Net Decrease in Cash Balances	—	3,900
Total Sources of Funds	230,452	222,807
Applications of Funds		
Interest Expense on Debentures	110,900	114,207
Farm Loan Incentives	12,200	13,200
Administration Costs	9,000	9,700
Lending Programs	53,200	57,900
Principal Repayments on Debentures	45,152	27,800
Total Applications of Funds	230,452	222,807

Alberta Mortgage and Housing Corporation

The Alberta Mortgage and Housing Corporation's programs involve construction of rental housing units for senior citizens and low to middle income Albertans, and mortgage financing to provide affordable rental and ownership housing for low to middle income Albertans.

Capital commitments for mortgage lending programs are expected to total $62.4 million for 2,610 units in 1988-89. A further $15.9 million is available for commitment to housing construction and land development programs.

To facilitate the sale of up to 850 corporation-owned Family Home Purchase Program units and 335 Modest Apartment Program units, $50 million will be available for new mortgage financing if necessary.

Through the Rural and Native Housing Program, $9.4 million will be committed for up to 150 housing units.

Under the Special Purpose Program introduced in 1987-88, the corporation will commit $3 million to build 75 units for groups such as the mentally and physically disabled, victims of family violence, young offenders and other people with special housing needs.

The corporation also expects to insure mortgages made available by private lenders on 1,200 mobile homes.

Through its housing construction programs, the corporation is expected to make commitments of $12.8 million for 135 senior citizen units and 47 community housing units.

To finance the corporation's capital activities, the Legislative Assembly will be requested to approve the investment by the Alberta Heritage Savings Trust Fund of up to $188 million in debentures of the corporation.

In addition to its capital funding for 1988-89, the corporation will receive a budgetary appropriation of $188.8 million through the Department of Municipal Affairs to meet subsidy and operating costs. The subsidies available through the corporation's programs help make housing affordable for many thousands of Albertans.

Alberta Mortgage and Housing Corporation

TABLE D3

(thousands of dollars)

	1988-89 Estimate	(# units)	1987-88 Forecast	(# units)
Programs				
Mortgage Lending Division				
Alberta Family Home Purchase Program	39,900	850	14,700	350
Rural and Native Housing	9,400	150	9,000	140
Mortgage Insurance – Mobile Homes	—	1,200	—	1,400
Modest Apartment Program	10,100	335	3,800	175
Special Purpose Program	3,000	75	5,100	125
	62,400	2,610	32,600	2,190
Land and Housing Division				
Olympic Housing – Student Residences	—	—	11,800	148
Staff Housing	150	2	200	4
Community Housing[1]	3,500	47	5,700	76
Senior Citizen Lodges	—	—	11,900	90
Senior Citizen Self-Contained	9,300	135	10,500	145
Rent Supplement	—	75	—	75
Residential Land	2,850	—	3,300	—
Industrial Land	100	—	100	—
	15,900	259	43,500	538
Total Programs	78,300	2,869	76,100	2,728
Financing				
Sources of Funds				
Grant from General Revenue Fund	188,781		239,152	
Mortgage Insurance Fund	26,000		13,000	
Principal Repayments on Loans	105,400		128,800	
Land Sales	8,000		8,000	
Promissory Notes	—		11,400	
Student Residence Sales[2]	11,800		—	
Debenture Borrowing from Heritage Fund	188,000		154,000	
Total Sources of Funds	527,981		554,352	
Applications of Funds				
Mortgage Lending Operating Costs	79,700		100,900	
Land and Housing Operating Costs	76,800		68,700	
Administration Costs	16,181		18,152	
Repayment of General Revenue Fund Advance	1,400		6,200	
Capital Programs	102,000		75,000	
Debenture Repayments	240,500		285,400	
Redemption of Short-Term Notes (net)	11,400		—	
Total Applications of Funds	527,981		554,352	

[1] In 1988-89 an additional 700 corporation owned properties will be transferred to the Community Housing Program. In 1987-88, 300 units were transferred.

[2] Funds are from the Department of Advanced Education to acquire student residence units for Mount Royal College. These units were provided by the corporation for athlete housing during the 1988 Winter Olympics.

Alberta Opportunity Company

The Alberta Opportunity Company provides loans, loan guarantees and financial guidance to small businesses throughout the province in order to promote the growth and diversification of the provincial economy. The company provides alternative financing to Alberta businesses with priority given to businesses located outside the major centres.

The company expects to make $37 million in direct loan commitments to small Alberta businesses in 1988-89. Also, in broadening its range of financing alternatives, the company estimates that it will provide $15 million for venture or innovative financing in 1988-89 by providing patient capital to Alberta businesses which are unable to obtain such funding on reasonable terms and conditions elsewhere.

To finance this lending activity and to repay debentures issued in previous years, the Legislative Assembly will be requested to approve the investment by the Alberta Heritage Savings Trust Fund of up to $112 million in debentures of the company.

The company will also receive a budgetary appropriation of $12.4 million from the Department of Economic Development and Trade in 1988-89. These funds will enable the company to deliver its lending programs at less than full cost to its clients.

Alberta Opportunity Company

TABLE D4

(thousands of dollars)

	1988-89 Estimate	1987-88 Forecast
Programs		
Direct Lending	37,000	39,200
Venture Financing	15,000	10,700
Loan Guarantees	2,000	1,000
Total Programs	54,000	50,900
Financing		
Sources of Funds		
Interest Payments on Loans	14,900	12,500
Grant from General Revenue Fund	12,400	13,400
Principal Repayments on Loans	25,700	24,100
Debenture Borrowing from Heritage Fund	112,000	53,000
Total Sources of Funds	165,000	103,000
Applications of Funds		
Interest Expense on Debentures	16,800	15,200
Administration Costs	8,200	8,600
Lending Programs	53,000	36,400
Debenture Repayments	87,000	38,800
Promissory Note Repayments	—	4,000
Total Applications of Funds	165,000	103,000

Alberta Municipal Financing Corporation

The Alberta Municipal Financing Corporation makes loans to municipalities, school systems and hospitals at interest rates based on its cost of obtaining funds. The borrowers benefit from the corporation's access to the Canada Pension Plan Investment Fund and from a provincial government guarantee of the corporation's borrowings.

In the 1988 calendar year, the corporation expects to lend $460 million to Alberta municipalities, school districts and hospital boards, compared to $307 million in 1987. This 1988 lending activity will be financed by borrowing an estimated $325 million from the Canada Pension Plan Investment Fund and from internal sources.

Through the Municipal Debenture Interest Rebate Program, which is funded by a budgetary appropriation of the Department of Municipal Affairs, the government will provide municipalities with grants totaling $62.5 million to reduce interest costs on their loans.

Alberta Municipal Financing Corporation

TABLE D5

(thousands of dollars)

	1988 Estimate	1987 Actual
Programs		
Direct Lending		
Municipal Loans	347,000	191,100
School Loans	108,000	114,600
Hospital Loans	5,000	800
Total Programs	460,000	306,500
Financing		
Sources of Funds		
Principal Repayments on Loans	255,000	370,400
Sinking Fund	113,000	261,800
Canada Pension Plan Investment Fund	325,000	328,000
Total Sources of Funds	693,000	960,200
Applications of Funds		
Direct Lending	460,000	306,500
Debt Repayment Including Sinking Fund Contributions	233,000	636,600
Other	—	17,100
Total Applications of Funds	693,000	960,200